

Audit Panel

Tuesday, 30th November, 2010

MEETING OF AUDIT PANEL

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

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

Apology

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

Minutes

The minutes of the meeting of 14th September were taken as read and signed as correct.

Belfast City Council Financial Accounts 2009-2010

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 2009/2010 accounts, the Local Government Auditor’s (LGA) 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 7th June 2010 and by the Strategic Policy and Resources Committee on 18th June.

The accounts have now been audited and formally published.

However, during the course of his work, the Local Government Auditor had identified a number of issues which the Council needed to address and had set them out in an interim management letter.

As an independent auditor of the Council, the Local Government Auditor seeks to examine that the Council has managed its affairs, having regard to a combination of economy, efficiency and effectiveness and that public money is properly spent or in the case of income properly accounted for.

The Annual Audit Letter is issued under Article 13 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006. The Regulations require the Council to publish this Annual Audit Letter as soon as reasonably possible.

Key Issues

1. Overall Audit Opinion

The Chief Local Government Auditor has provided an unqualified opinion on Belfast City's accounts for 2009/2010.

2. Adjustments

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

The amendments are as follows and have been split into presentational adjustments and disclosure adjustments. None of the adjustments impacted on the District Fund Balance.

Presentational Adjustments

- £6.1 m less in impairments to be charged to District Fund before being reversed out to the Capital Adjustment Account; and charged to Revaluation reserve instead (note 24).
- Short Term Investments increased by £452k and cash at bank reduced by £452k

- The £3.3m credit to the City Investment Fund (Note 24) to be shown within the net movement out of note 3 of £3087k. As £2million of this had originally been charged to Democratic Representation and Management (DRM) costs in District Fund then the DRM costs have been reduced by £2m. Likewise as £1.3 million had originally been credited to City Investment Fund instead of leisure income, then leisure income has been increased by £1.3m
- Several presentational changes to cash flow and accompanying notes

Disclosure Adjustments

- Note 24 - additional Capital Receipts reserve movement disclosure to reflect the land sale of £750k and then the transfer of monies from same to the City Investment Fund;
- Capital Commitments note reduced by £88.9m to reflect only estimated future spend post balance sheet rather than both cumulative spend to date and future spend;
- Adjustments to the landfill closure and legal provisions to reflect payments in year, increases/decreases and also the impact of discount. There was no change to the closing provision valuations;
- Note 20 – deferred grants – movements now shown gross rather than netted off. Hence, additions now £1467k instead of £364k; and
- Additional narrative inserted re landfill provision to indicate that this provision may change once the closure plan has been reviewed by the Northern Ireland Environment Agency.

The adjustments were made in conjunction with the Local Government Auditor in line with ensuring comparability with other Councils. The number of adjustments made to the accounts for the 2009/2010 year was significantly less than in the 2008/2009 year.

3. Management Letter

The Management letter identifies a number of issues which the Council needs to address. It is still an interim management letter at this stage, as the Local Government Auditor needs to evaluate the Council's management responses before it can be finalised. It is hoped that this can be done and issued as final for the Audit Panel. The management letter has 7 priority one issues, 11 priority 2 issues and 1 priority 3 issues. All of the recommendations have been accepted and action plans will be put in place to ensure they are implemented.

Resource Implications

None.

Recommendations

The Audit Panel is requested to note:

- (a) the outcome of the annual audit of the 2009/2010 accounts.
- (b) the Management Letter and timescales for implementation."

After discussion, during which the Director of Finance and Resources and the Financial Accounting Manager provided clarification on a number of issues which had been raised within the financial accounts, the Panel adopted the recommendations and noted that a copy of the documents referred to within the report could be accessed on the Modern.gov website.

Audit, Governance and Risk Services Progress Report

The Panel considered a report outlining the work which Audit, Governance and Risk Services had undertaken between September and November, 2010.

The Head of Audit, Governance and Risk Services reported that, during the period, audit reports had been finalised in respect of the Smithfield and St. George's Markets and the Tourism Unit. Audits of Payroll, Civic Amenity Sites, arc21 work, the Support for Sport grants programme, controls over agency and overtime work and key income/expenditure controls were in progress, which, once finalised, would be submitted to the Panel. Advice had been provided also in relation to Community Centre Management Committees and the new IT Governance arrangements. In addition, a follow-up audit of the Belfast Visitor and Convention Bureau was being undertaken and audits of the Building Control Service, the Corporate Complaints procedure, the Building Maintenance Section and income derived from the North Foreshore were being planned.

He provided also information regarding extensive ongoing fraud investigation work being undertaken by the Service and confirmed that fraud awareness training had, during the month of November, been delivered to seventy-five managers and staff within the Development Department and would, in due course, be rolled out to those within the Health and Environmental Services and Finance and Resources Departments. He explained that one of the key measures in preventing fraud was to ensure that up-to-date, robust financial procedures were in place and that his Service had been working with Business and Finance Managers across the Council in this regard.

The Head of Audit, Governance and Risk Services highlighted also the work being undertaken in relation to business continuity management and pandemic planning and pointed out that, following discussions with the Procurement Unit, a policy which outlined procedures to be followed in relation to the procurement process had been presented to the Chief Officers' Management Team in November. He added that a separate report, detailing the Audit Governance and Risk Service's work in relation to risk management would be considered later in the meeting.

After discussion, the Panel noted the information which had been provided.

Corporate Risk Management

The Panel was reminded that, at its meeting on 15th February, it had agreed that reports should, on a quarterly basis, be submitted to the Chief Officers' Management Team and, subsequently, to the Audit Panel setting out the management arrangements which had been put in place to address key risks identified across the Council.

The Corporate Risk and Governance Manager reviewed the current status of the eleven risks which had been included within the Corporate Risk Register, together with the three red risks contained within Departmental Risk Registers. She explained that a quarterly review process had been agreed with Chief Officers which enabled an independent overview of the management of both Corporate and Departmental risks to be provided and any delays in the implementation of proposed actions and areas which warranted further action to be highlighted. She reported that, in the last quarter, she had received assurances from the Chief Officers that the Corporate, Departmental and Registers and action plans had been reviewed and updated, with only the mapping and recording of the risk action plans within the Parks and Leisure Department's Departmental and Operational Risk Registers to be completed. It was envisaged that that work would be concluded by the end of December.

The Corporate Risk and Governance Manager highlighted specifically two key areas of concern around the management of specific risks which had not been addressed by actions or proposed actions recorded in the risk action plans or which could be affected by decisions taken outside the Council's direct control or where emerging risks had been identified. She explained that the first area, which had been categorised within the Corporate Risk Register as being a severe risk, centred around the need to manage the City's waste within the resources available in accordance with statutory duties and public expectations. She pointed out that the provision of key waste infrastructure, changes in legislative requirements and in statutory recycling

targets were largely outside the control of the Council, which meant that it was dependent to a great extent upon the collaborative approach being progressed through arc21 to implement a number of key actions to mitigate this risk.

She reported that the second area of concern related to the need to protect the health and safety of employees and others and to ensure compliance with the relevant legislation. During the last quarter, reports had been submitted to the Health and Safety Assurance Board and to the Audit Panel outlining how the existing Council-wide health and safety control environment could be strengthened further if a robust health and safety assurance framework were to be put in place. She explained that the framework would focus specifically on the need to establish effective health and safety management arrangements, including an appropriate Health and Safety Committee structure, together with an internal reporting and communication mechanism, which would provide a link between corporate risk and health and safety risk management activities. She pointed out that a separate report seeking the Audit Panel's approval of the health and safety assurance framework would be considered later in the meeting.

The Panel noted the information which had been provided and that a copy of the quarterly risk report could be accessed on the Modern.gov website. The Panel agreed that, in future, the Corporate Risk Register include any actions being taken in relation to the management of risk.

Corporate Health and Safety Management

The Panel considered the undernoted report:

"1. Relevant Background Information

This report seeks to update the Audit Panel of the Health and Safety arrangements in place in the Council. The report focuses on the following areas:

- **Health and Safety inspections**
- **Proposed Health and Safety assurance framework**

Health and Safety (H&S) is an important issue in any workplace. In addition to the legal duties under The Health and Safety at Work (Northern Ireland) Order 1978, there are moral and financial considerations. Legally, all employers must provide a safe and healthy working environment for their employees and those affected by their undertaking (which include contractors and members of the public). A safe and healthy working environment includes safe access and egress, safe equipment, safe premises and safe work practices and procedures.

2. Key Issues

Health and Safety Inspections

The Corporate Health and Safety Unit (COHSU) has implemented a new workplace inspection regime. The intention is to inspect / audit each property annually. This process can be briefly summarised by the following activities:

- Each council property was assigned a desk top risk rating by COHSU (high, medium or low) based on occupancy numbers and activities carried out within them.
- Initially, in order to ensure best practice, Marsh Consultants were engaged to review and report on 7 of the high level priority locations. This work was concluded in December 2009 with action plans issued at that time. Update reports on progress made in relation to implementing actions are presented quarterly to the H&S Assurance Board
- In total the risk rating process identified 29 high level risk properties. These properties would be inspected first. Some of these properties including City Hall, Cecil Ward Building, Adelaide Exchange and Lanyon Place, house a number of departments which require separate inspections thus increasing the high risk inspections to 40.
- This inspection programme which was carried out by COHSU staff commenced at the end of June 2010 and all high risk inspections are now completed. The inspections of the remaining medium and low properties are following.
- Relevant business support managers, Heads of Service and Chief Officers are sent a composite report detailing the results of the inspection and an action plan. This is issued within two weeks of the inspection / audit and ensures that all levels of management are aware of the actions required to improve H&S compliance.
- Follow up correspondence is sent to the same recipients one month and then six months after the report / action plan has been sent enquiring about the progress of the action plan(s). The responsibility for progressing action plans lies with departmental management and therefore senior management are kept informed of the recommendations made and progress towards implementation.

An inspection programme has been forwarded to Panel Members. Directors have been asked to actively follow up all red actions from these inspections. An update on progress against recommendations will be provided to the Audit Assurance Board / Audit Panel in February 2011.

Belfast City Council's Assurance Framework

An assurance framework is designed to allow us to know what is actually going on and more importantly have the evidence to prove it.

With regard to the Council's corporate assurance framework, much progress has been made in recent years in terms of:

- embedding risk management;
- implementing a process whereby Chief Officers and senior managers are required to sign annual assurance statements and where Chief Officers sign quarterly assurance statements;
- a Belfast City Council Code of Governance and Annual Governance Statement;
- developing business planning and related performance reporting arrangements; and
- regular reporting to the Council's Assurance Board and Audit Panel

In summary, there are a number of elements which contribute to the Council's assurance framework, Health and Safety management being one of those elements.

Existing Health and Safety Assurance Framework Arrangements

There are existing arrangements within the Council for ensuring effective H&S activity, these include a Corporate Occupational Health and Safety Unit (COHSU) that:

- has prioritised key H&S risks;
- completes an annual programme of H&S inspections;
- monitors and reviews accident and incidents;
- carries out stress audits and assists departments in the completion of action plans;
- provides training to council staff; and
- provides regular updates to the Council's H&S Assurance Board.

Proposed Health and Safety Assurance Framework

However, the existing Health and Safety control environment will be further strengthened if a health and safety assurance framework is put in place to specifically focus on the management of H&S and in particular the internal processes to link corporate risk management and H&S risk management activities. It is proposed that this framework would include:

- the main sources of assurance, such as H&S inspections and reports, training, accident investigation and prevention, H&S Committees, external quality assessment / inspection;
- the basis on which these key sources of assurance are provided;
- how the H&S Assurance Board have a key role to play in reviewing and approving the annual governance statement and overseeing the assurance framework as a whole;
- the provision of reports to Council members on H&S management activities and approval of members for ongoing work in H&S including the approval of H&S plans;
- confirmation of H&S management arrangements as part of the quarterly assurance statements completed by Chief Officers. This would be carried out as part of the risk management reporting and would also be included in Chief Officers annual assurance statements; and
- formalisation of the H&S committee framework. While there are a number of H&S committees currently in place there is no formal structure, guidance or reporting mechanisms in place.

The Health and Safety assurance framework will provide the H&S Assurance Board, COMT and Members with an important mechanism for effectively managing the principal H&S risks by highlighting both the key sources of assurance and the basis upon which this assurance is provided.

The framework is also effective as a communication / reporting tool, enabling those involved and affected by the various assurance reviews / processes to see how particular pieces of work and functions 'fit in' to an overall framework.

To enable the dissemination of appropriate guidance to staff, the Risk Management Strategy is currently being reviewed to include specific reference to the management of H&S risks. This will ensure that H&S risk is integrated more fully into the overall corporate risk management framework.

The proposed Health and Safety Assurance Framework, a copy of which has been forwarded to the Panel, depicts the sources of assurance and how these assurances are communicated to senior management and members.

It provides also an overview of the proposed roles and responsibilities of staff and management in terms of the actual implementation of the health and safety assurance framework in practice.

3. Resource Implications

No significant resource requirements

4. Equality and Good Relations Considerations

None

5. Recommendation

The Audit Panel is requested to note the report and approve the proposed Health and Safety Assurance Framework.”

The Panel approved the health and safety assurance framework, a copy of which was available in full on the Modern.gov website.

Attendance Management

(Mrs. J. Minne, Head of Human Resources, attended in connection with this item.)

The Panel was reminded that the Strategic Policy and Resources Committee, at its meeting on 18th June, had agreed a new two-year target aimed at reducing absence to 11 days per full-time equivalent by March, 2011 and to 10.75 days by March, 2012. The Committee had agreed also that the monitoring of attendance be undertaken on a regular basis by the Audit Panel. Accordingly, the Head of Human Resources submitted for the Panel's consideration a report outlining the Council's performance in relation to attendance management at 30th September, 2010.

The report had indicated that the average number of days absence recorded for each full time equivalent employee had, at this point, been 4.71 days, which meant that the Council was on course to meet its target for 2010/2011. It had indicated also that 78.68% of Council staff had not been absent during the second quarter of the year, which represented an increase from the same period in the previous year of 4.59%. In addition, 4.52% of staff had been categorised as being on long-term absence, which was 1.52% less than the figure in 2009/2010. She reviewed the absence statistics for each Council Department up to the end of September, in terms of their target figure for the same period last year, and pointed out that each of them was on schedule to meet its target for the year.

The Head of Human Resources outlined the extent of the work which had been undertaken to date to address absence management across the Council, which included the submission twice-yearly to the Strategic Policy and Resources Committee of a report on the issue, the undertaking of audits within those Units which were deemed to be unlikely to meet their attendance targets and the reporting on a quarterly basis to the Audit Panel of any compliance issues arising therefrom.

After discussion, the Panel noted the Council's performance in relation to the management of absence for the period ending in September, 2010 and commended the ongoing efforts of the Human Resources Service and Managers across the Council to address the issue.

Staff Numbers, Overtime and Agency Costs

The Panel considered the undernoted report:

“Purpose of report

This report:

- **Provides information on staff numbers for the council's seven departments at quarter two 2010/2011 and compares them to the previous quarter (quarter one 2010/2011);**
- **Compares overtime costs for the period October 2009 to September 2010 to the same time last year (October 2008 to September 2009); and**
- **Compares agency costs for the period October 2009 to September 2010 to the same time last year (October 2008 to September 2009).**

Relevant Background Information

On 15th February, 2010, the Audit Panel agreed that reports on staff numbers, overtime and agency costs should be made to the Chief Officers' Management Team and Audit Panel on a quarterly basis starting from quarter four 2009/2010.

Key Issues

The attached appendix provides information on the following:

- **The average number of people in post at quarter two 2010/2011 at corporate and departmental level compared to the previous quarter. (quarter one 2010/2011)**

- The cost of overtime at corporate and departmental level for the rolling year October 2009 – September 2010 compared to the same period last year October 2008 – September 2009; and
- Agency cost at corporate and departmental level for the rolling year October 2009 – September 2010 compared to the same period last year October 2008 – September 2009.

People in post:

- The average number of people in post for quarter two of this year is 2373 compared to 2383 for the previous quarter (quarter one 2010/2011);
- This represents an overall net decrease of 10 this quarter;
- Following the recent implementation of structural reviews across the council the Chief Executive's, Finance and Resources and Property and Projects departments the following staff number adjustments have been taken into consideration:
 - Legal Services is now included in the Chief Executive's Department
 - The Birth Deaths and Marriages unit is included in the Chief Executives Department
 - Core Improvement Staff have moved from the Property and Projects Directorate to the new Chief Executive's Department and to the Performance Management unit within Finance, Performance and Efficiency
 - The North Foreshore Unit has moved from Economic Initiatives to the Property and Projects Department

Overtime costs

- Overtime costs for the rolling period October 2009 to September 2010 is £4,733,146
- Overtime costs for the same period previous year (October 2008 to September 2009) was £4,720,633
- This represents an increase of £12,513 this year
- Two departments show an increase of overtime – Parks and Leisure and Health and Environmental Services

- The increase in overtime in Environmental Health Services (£11,869) is due to the work of the Community Services wardens during the St. Patrick's period. Although Cleansing has shown an increase in overtime, this has to be considered against the backdrop of reducing agency costs by approximately £300k for the same period.
- Within Leisure Services, there has been an increase of £104,268 this year. The Director of Parks and Leisure has requested that Audit Government and Risk Services assist the department in identifying operational efficiencies in relation to their improvement agenda. Accordingly, AGRS is in the process of undertaking audit work in relation to overtime and agency cover in Leisure Services the result of which will be reported in due course.

Agency costs

- Agency costs for the rolling period October 2009 to September 2010 is £3,468,786
- Agency costs for the same period previous year (October 2008 to September 2009) was £4,672,542
- This represents a reduction of £1,203,756 this year
- The staff establishment Control Framework was established to monitor and reduce agency costs and look to alternative methods to provide operational cover. This is most evident within Health and Environmental Services (Approx. £900k reduction) from the filling of staff structures.

Recommendation

The Panel is asked to note the contents of this report.

Appendix

People in post	Average number of people in post previous quarter (Q1 2010/11)	Average number of people in post this quarter (Q2 2010/11)	Variance
BCC	2383	2373	-10
Chief Executive's	99	107	+8
Finance and Resources	238	239	+1
Health & Environmental Services	864	863	-1
Parks and Leisure	631	633	+2
Development Department	278	270	-8
Property and Projects	273	261	-12

Cost of overtime	Cost of overtime for the period October 2008 – September 2009	Cost of overtime for the period October 2009 – September 2010	Variance
BCC	£4,720,633	£4,733,146	£12,513
Chief Executive's	61,280	68,295	7,015
Finance and Resources	106,069	72,188	-33,881

Health & Environmental Services	2,030,764	2,062,326	31,562
Parks and Leisure	1,619,939	1,702,703	82,764
Development Department	365,982	333,111	-32,871
Property and Projects	536,599	494,523	-42,076

Agency Costs	Agency costs for the period October 2008 – September 2009	Agency costs for the period October 2009 – September 2010	Variance
BCC	£4,672,542	£3,468,786	-£1,203,756
Chief Executive's	110,542	160,207	49,665
Finance and Resources	200,347	191,848	-8,499
Health & Environmental Services	1,822,802	905,514	-917,288
Parks and Leisure	1,656,333	1,418,113	-238,220
Development Department	590,266	446,010	-144,256

Property and Projects	292,252	347,094	54,842 ”

After discussion, the Panel noted the information which had been provided.

**Chief Local Government Auditor –
Mr. John Buchanan**

The Chief Local Government Auditor reported that this would be the last meeting of the Panel which he would be attending, as he was due to retire from Local Government having completed forty years of service.

The Panel thanked the Chief Local Government Auditor for the valuable contribution which he had made over the years in monitoring the Council’s finances and wished him every success in the future.

The Chief Local Government Auditor thanked the Members for their best wishes and stated that he was appreciative of all their support and assistance during his work with the Council.

Date of Next Meeting

The Panel agreed that its next meeting be held at 1.00 p.m. on Monday, 14th March, 2011.

Chairman