

Audit Panel

Tuesday, 12th June, 2012

MEETING OF AUDIT PANEL

Members present: Alderman Rodgers (Chairman);
The High Sheriff (Alderman M. Campbell); and
Councillors Lavery and Mullan and Mr. D. Bell.

In attendance: Mr. R. Cregan, Director of Finance and Resources;
Mr. M. McBride, Head of Finance and Performance;
Mr. A. Harrison, Audit, Governance and Risk
Services Manager;
Ms. C. O'Prey, Audit, Governance and Risk
Services Manager;
Mr. T. Wallace, Financial Accounting Manager;
Mr. R. Allen, Director, Northern Ireland Audit Office;
Mr. A. Knox, Audit Manager, Northern Ireland Audit
Office; and
Miss L. Hillick, Democratic Services Officer.

Apologies

Apologies for inability to attend were reported from Alderman Smyth and Councillor Jones.

Minutes

The minutes of the meeting of 13th March were taken as read and signed as correct.

Declaration of Interest

No declarations of interest were reported.

Mr. A. Wilson

The Chairman (Councillor Alderman Rodgers) advised the Panel that the Head of Audit, Governance and Risk Services, Mr. A. Wilson, would be absent due to illness. Accordingly, the Panel agreed that a letter be forwarded to Mr. Wilson wishing him a speedy recovery.

Declarations of Interest for Staff

With the consent of the Chairman, a Member drew the Panel's attention to the practice of Council officers endorsing applications which were being submitted to the Council by outside organisations for grant funding and queried whether a register of interests for staff was currently in operation and whether this practice should be

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recorded in that register. In response, the Director of Finance and Resources stated that a register of interests for staff was in operation and the normal practice would be that officers would not be permitted to endorse such applications if they were in any way involved in the consideration of the grant scheme in question.

After discussion, it was

Moved by Councillor Mullan,
Seconded by the High Sheriff (Alderman M. Campbell),

That Council officers be advised that they should not be endorsing applications submitted to the Council for grant funding by outside organisations.

On a vote by show of hands five Members voted in favour of the proposal and none against and it was accordingly declared carried.

Belfast City Council Financial Accounts 2011/2012

The Panel considered the undernoted report:

“Relevant Background Information

The purpose of this report is to present to the Audit Panel the Financial Accounts of the council for 2011/12.

The Financial Accounts are an important element of the council’s overall corporate governance framework as they provide assurance to Members and ratepayers on the stewardship of the council’s finances and its financial position.

The Financial Report and accounts for the year ended 31 March 2012, as attached, have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on International Financial Reporting Standards and the Department of the Environment Accounts Direction, Circular LG 03/12 dated 23 April 2012.

I can confirm that the Statement of Accounts for the year ended 31 March 2012 has been prepared in the form directed by the Department of the Environment and in my opinion the Statement of Accounts give a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

Key Issues

Reserves

The credit balance on the District Fund Reserves has increased to £13,904,696 (of which £2,547,206 relates to specified reserves). The movement on the reserves balance is summarised in Table 1 below:

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Table 1: Summary of Reserves Position

Opening Balance	£10.4m
Prior Year Adjustments	<u>£1.4m</u>
Revised Opening Balance	£11.8m
In year movement on reserves	£ 4.3 m
2010/11 Finalisation	£ 0.3 m
Contribution to Capital Fund	£ (2.5)m
Increase in Reserves	£ <u>2.1 m</u>
Closing Balance	£13.9m
Specified Reserves at year end	<u>£ 2.5m</u>
Balance Available	<u>£11.4m</u>
District Fund	£13,904,696

The District Fund Reserves can be used to supplement income and unexpected expenditure in future years. Of the £13,904,696, £2,547,206 relates to expenditure committed at year-end.

Capital Fund £13,043,663

The capital fund is made up of the City Investment Fund (£8,043,663). The fund has been created to support key partnership projects to regenerate Belfast and help lever substantial funds from other sources, and the Local Investment Fund (£5m) to fund smaller local regeneration projects.

Capital Receipts Reserve £950,040

These are capital receipts which have originated primarily from the sale of assets and which have not yet been used to finance capital expenditure. This amount relates mainly to the sale of land & buildings at Loop River (£860,000) which has been ring-fenced for the development of the capital scheme 'Loop River – New Facilities'.

Other Fund Balances and Reserves £6,356,409

This relates to the Election Reserve (£424,424) which has been set up to smooth the cost of running council elections and a Sinking Fund (£5,931,985) which has been set up to repay the Council's interest only mortgages.

Capital Programme

In 2011/12 the council committed to a programme to invest £150m in capital projects including £75m in council facilities for local communities, £20m in partnership projects which will

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contribute to city regeneration, £50m levered from Europe and other sources to provide key economic infrastructure projects and £5m in smaller local regeneration projects.

Debt

The overall level of trade debtors had decreased steadily over the previous 3 years, reducing from £10m at 31 March 2008 to £4m at 31 March 2011. However, the figure at the 31 March 2012 shows an increase to £5.7m. This is a result of £2.1m of invoices being raised in the last week of the financial year, compared to £739k in the same period in the previous year. The majority of this money was paid by the end of April 2012, with the total debt down to £3.7m.

An analysis of trade debtors, inclusive of VAT, for the last two years is shown below:

	31 March 2012	31 March 2011
Less than three months	£4,260,233	£2,111,911
Three to six months	£137,235	£142,744
Six months to one year	£191,602	£188,270
More than one year	£1,110,712	£1,519,553
Total	£5,699,782	£3,962,478

Creditors

The council has a target of paying invoices within 30 days. During the year the council paid 52,318 invoices totalling £100,848,638

The average time taken to pay creditor invoices was 25 days for the year ended 31 March 2012.

Whilst the Minister at the Department of Finance and Personnel has reduced the target for the payment of invoice for central government departments to 10 working days this target is not mandatory for local government. However, the council endeavours to process invoices as quickly as possible and monitors these figures on a regular basis.

Resource Implications

Financial

None.

Human Resources

None.

Asset and Other Implications

None.

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Recommendations

The Audit Panel is requested to note the Council's financial accounts and report for the year ended 31 March 2012."

After discussion, during which the Panel congratulated officers within the Finance and Resources Department for the work which had been undertaken to increase the Council's reserve fund, the Panel approved and recommended to the Strategic Policy and Resources Committee the Council's financial accounts for the year ended 31st March, 2012, a copy of which was available on the Modern.gov website.

**Northern Ireland Audit Office –
Audit Strategy for Belfast City Council 2011/2012**

The Panel was advised that, under the provisions of the Local Government (Northern Ireland) Order 2005, the Local Government Auditor, as the appointed external auditor, was required to examine, certify and report on the financial statements of the Council. It was reported that, in order to facilitate an understanding of the audit process and to clearly set out requirements, the Local Government Auditor had issued an Audit Strategy in respect of the Council's 2011/2012 financial statements. Mr. Allen explained that the Strategy, which required the Council to submit its accounts by 30th June, 2012, set out, inter alia, the responsibilities for the preparation of accounts and the associated regulations, the scope of the audit, records which were required to be provided for audit inspection and the requisite timescales. In addition to the conventional aspects of an audit of the accounts, the Audit Strategy set out also the Local Government Auditor's proposed systems and corporate governance work.

The Panel noted the contents of the Audit Strategy for Belfast City Council for the 2011/2012 financial year and that a copy of the document was available on the Modern.gov website.

Corporate Risk Management for the Period Ended March, 2012

The Audit Panel considered the undernoted report:

"1 Relevant Background Information

On 15 February 2010 the Audit Panel agreed that risk reports should be made to the Corporate Management Team and the Audit Panel on a quarterly basis starting from quarter one 10/11. This report addresses these requirements.

Specifically, the purpose of this paper is to:

- **report on the operation of the assurance processes over the arrangements for the management of risk for the period ending March 2012**
- **present the Corporate Risk Register**
- **highlight emerging risks or updates to existing risks**

Risk Management is a statutory requirement, the Local Government (Account and Audit) Regulations 2006 and subsequent Local Government (Account and Audit) (Amendment) Regulations 2006 sets out that:

‘A local government body shall ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk’.

In addition, the legislation requires the Council to report on the arrangements in place for managing risk as part of the Annual Governance Statement which forms a key part of the Council’s Financial Statements. While closely linked to the risk management process, separate papers have been prepared on the annual assurance statements of senior management, the Annual Governance Statement and the Code of Governance.

2 Key Issues

1. Corporate Risk Register

1(a) Amendments to existing corporate risks

For the period ending March 2012, our review meetings with Directors identified the following updates to the current risks in the corporate risk register:

Corporate Risk 1 re Failure to manage and plan financial resources

- Following discussion with the Director of Finance and Resources (and in the light of the actions that have been taken to improve financial management) the likelihood of this risk has been reduced from 3 to 2, changing the overall risk score from ‘major’ to ‘significant.’**

Corporate Risk 2 re Waste Management

- A new risk cause has been added ‘Inner city recycling contract is not appropriately managed.’**

Corporate Risk 7 re RPA

- The Risk Owner has now changed from the Town Solicitor & Assistant Chief Executive to the Director of Finance and Resources**

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- The risk cause a 'Shortfall in Council capacity to deliver new functions transferring (e.g. planning, regeneration)' has been expanded to include the Community Development Infrastructure Programme.
- A new risk cause has been added 'Inadequate information available re transferring functions and the service impact of proposed extension to Council boundary'
- Following discussion with the Director of Finance and Resources the risk score has been increased to likelihood 3 (previously 2) and impact 4 (previously 3), resulting in a re-assessment of the risk as 'major' (previously 'moderate').

The above amendments have been approved by CMT on 23 May 2012.

1(b) Emerging risk

For the period ending March 2012, the following risk has been identified for consideration for inclusion within the Corporate Risk Register:

- Ineffective systems and procedures result in non-compliance with legislation and best practice standards e.g. FOI, DPA.

On 23 May 2012, CMT agreed that this is a corporate risk, with the lead Risk Owner being the Director of Finance and Resources who will develop the risk action plan. CMT also agreed that this corporate risk is applicable to all Departments and as such each Chief Officer should ensure that it is included within their own risk registers with suitable risk action plans developed.

2. Integrated System - Risk Management

Following approval from Strategic Policy & Resources Committee on 20 January 2012 for the purchase of an integrated action tracking system, a project board has been established and a project initiation document has been approved. AGRS is in the process of reviewing current processes and devising new processes for action tracking, risk management and audit management. In this regard we met with the Departmental Risk Champions and 4 of the Departmental Business Support Managers on 9 May to consult with them on the proposed new system and processes.

3. Business Continuity Management

Business continuity is a risk within the Corporate Risk Register. One of the key means that Members and Chief Officers can gain assurance over the arrangements we have in place to manage a disruption to our services, is that the BCM plans are up to date and have been exercised (at least annually) to ensure their effectiveness.

AGRS can confirm that all of the 15 critical services have carried out an exercise to test their business continuity management plans for the year ending March 2012.

The annual training session for the BCM champions was held on 30 March 2012 and feedback indicates that it was a useful session. The BCM champions agreed that it would be beneficial to meet up twice yearly and so a meeting of the group has been organised for September 2012. The annual testing of the BCM plans will form part of the agenda of this meeting.

3 Resource Implications

Financial

None.

Human Resources

None.

Asset and Other Implications

None.

4 Equality Implications

None.

5 Recommendations

- 1. The Audit Panel to agree that the register at Appendix 1 reflects the current key corporate risks.”**

After discussion, the Panel agreed that the contents of the Register reflect the current key corporate risks and noted that a copy of the full register was available on the Modern.gov website. In addition, the Panel welcomed the proposed provision of independent assurance on the management of these risks during 2012/2013.

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Code of Governance Annual Review

Following a recent review, the Audit Panel noted the contents of a report in relation to the updated Code of Governance for the Council and requested that procurement arrangements be specifically included in the Code. The Panel noted also the range of improvement actions which would be implemented to further enhance the Council's governance arrangements.

Audit Recommendations Monitor

The Panel considered the undernoted report:

“1. Relevant Background Information

1.1 The Audit Panel's terms of reference include provision for it to 'consider reports from Audit, Governance and Risk Services on agreed recommendations not implemented within a reasonable timescale.' The purpose of this report is to provide an update on the implementation of audit recommendations.

1.2 At the Audit Panel meeting in March 2012 Members received a report on the number of high priority recommendations which had not been fully implemented and had been outstanding for more than 6 months. These are recommendations which relate to issues where significant risk exposure has been identified arising from weaknesses in the systems to identify, assess, manage and control risk. The report had shown that there were 44 high priority recommendations outstanding in March 2012. At the request of the Panel we have completed a further review of the status of these recommendations.

2. Key Issues

2.1 Of the 44 high priority audit recommendations outstanding (i.e. partially implemented or not implemented) as at March 2012, 7 have now been fully implemented and 1 is no longer applicable meaning that 36 are outstanding, of which 26 have been partially implemented. The table at Appendix 1 to this report provides more detail. The main areas of progress relates to treasury management and waste management.

2.2 AGRS has now embarked upon a project to automate the recommendation monitoring and reporting process (known as an action tracking system), the risk management and audit working paper / management processes. The procurement and implementation of this system and related processes is a priority for the Service and work will be ongoing over the next few months.

3. Resource Implications

3.1 There are no significant resource implications arising from this report.

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4. Recommendation

- 4.1 The Audit Panel is asked to note the attached audit recommendations monitoring report and note that action is being taken to address outstanding recommendations.**

5. Key to Abbreviations

AGRS – Audit, Governance and Risk Services

LGA – Local Government Audit

**SAP/SRM – the name of the Council’s accounting system
(SRM is the name of the procurement module of the system)**

VFM – Value for Money.”

Arising from discussion, the Panel’s attention was drawn to the fact that a number of recommendations in relation to facility management agreements and procurement had not yet been implemented fully and it was suggested that the Director’s of Parks and Leisure and Property and Projects be invited to attend the meeting scheduled to be held during September in order to provide an update.

After discussion, the Panel agreed to this course of action and noted the contents of the report.

Annual Assurance Statement 2011/2012

The Panel noted the contents of a report of the Head of Audit, Governance and Risk Services regarding the Annual Assurance Statement for 2011/2012. The Statement constituted his professional opinion on the adequacy and effectiveness of the Council’s internal control environment and took into account the key elements of its internal control arrangements, the results of audit work which had been undertaken during that period and the future development which might lead to improvement in internal control.

Annual Governance Statement 2011/2012

The Panel considered the undernoted report:

“Relevant Background Information

The Council has a statutory responsibility to annually prepare and publish an Annual Governance Statement (AGS) as part of the Financial Report.

As required the statement for the year 2011/12, has been prepared in line with the template outlined in the Accounts Directive provided by Department of the Environment (DOE). The AGS is consistent with the principles of the CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government’. In addition, the AGS takes account of the 2010 CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

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The AGS explains how the Council has complied with their statutory duties under the 2005 Order and also meets the relevant requirements of Regulation 2A of the Local Government Accounts and Audit (Amendment) Regulations (Northern Ireland 2006).

Specifically the AGS sets out:

- Scope of responsibility of the Council in relation to governance
- The purpose of the governance framework
- The governance framework in place
- Review of effectiveness of the governance framework
- Significant governance issues to be disclosed
- Appendix 1 - Update on action taken during 2011/12 to manage the significant risk and internal control issues declared in the AGS for 2010/11

The AGS is approved by the Chair of Strategic Policy and Resources, the Chief Executive and the Director of Finance and Resources. It is subject to review by the LGA (NIAO) as part of their annual audit.

Key Issues

The purpose of this report is:

1. To present the Audit Panel with the AGS for 2011/12 for approval
2. To ask the Audit Panel to note and endorse the key actions taken by the Council to manage the significant issues that were declared in last year's AGS.
3. To ask the Audit Panel to approve the significant issues (disclosures) which warrant inclusion in this year's AGS.

The AGS is an important document and it is important that the Audit Panel are fully aware of and its contents. The disclosures in the statement are based upon the Council's corporate risk register and emerging risks (as set out in the separate paper on Corporate Risk Management) and take into consideration the disclosures made by managers in their individual assurance statements. The statement also incorporates a summary of the Head of AGRS' annual assurance statement (the LGA recommended this following last year's audit).

Resource Implications

There are no significant resource implications.

Recommendations and Decision Required

1. The Audit Panel is asked to approve the AGS, attached at Appendix A.

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2. **The Audit Panel is asked to endorse the key actions taken by the Council to manage the significant issues that were declared in last year's AGS. These are included at Appendix 1 in the AGS for 2011/12 (pages 17 – 22)**
3. **The Audit Panel are asked to approve the significant issues (disclosures) which warrant inclusion in this year's AGS (pages 12 – 16 of the AGS for 2011/12).**

Key to Abbreviations

**AGRS - Audit, Governance and Risk Services
AGS - Annual Governance Statement
CIPFA – Chartered Institute of Public Finance Accountants
CMT – Corporate Management Team
DOE - Department of the Environment
LGA – Local Government Audit
NIAO – Northern Ireland Audit Office
SOLACE – Society of Local Authority Chief Executives and Senior Managers.”**

Following discussion, the Panel requested that a mid-year update on the progress be made to address the issues declared in the Annual Governance Statement. Following a query raised by a Member, the Director of Finance and Resources agreed that the risks related to the economic environment and uncertainty of the Council's rate base would be addressed in a report to the Panel.

The Panel adopted the recommendations.

**Review on the Effectiveness of the Audit Panel and
Review of External Member Contract**

(Mr. D. Bell, External Member, left the meeting whilst this matter was being discussed.)

The Panel considered the undernoted report:

“1. Relevant Background Information

- 1.1 **Audit Panels / committees are a key part of the governance arrangement of local authorities. The Local Government Auditor (LGA) has recommended that local authorities in Northern Ireland undertake annual self-assessments of their Audit Panels / Committees to confirm compliance with good practice.**
- 1.2 **The purpose of this paper is therefore to present, for the approval of the Audit Panel, an assessment of the Panel against recommended professional practice and to summarise the work of the Panel during 2011/12.**
- 1.3 **In addition, and linked to ensuring the ongoing effectiveness of the Audit Panel, this paper includes a recommendation to**

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invoke the extension clause in the contract for the external member to the Audit Panel.

2. Key Issues

2.1 Role of the Panel

2.2 The purpose of Belfast City Council's Audit Panel is to provide an independent assurance on the adequacy of the Council's risk management framework and associated control environment.

2.3 The Panel discharges its responsibilities by meeting on a regular basis and receiving, reviewing and scrutinising regular reports from internal and external audit and senior management on financial matters, risk, governance and control, where necessary requesting further information / assurances on specific issues. The Panel reports to the Council's Strategic Policy and Resources Committee.

Summary of the Work of the Panel in 2011/12

2.3 During 2011/12 the Audit Panel met on 4 occasions:

- 9 June 2011
- 14 September 2011
- 13 December 2011
- 13 March 2012

2.4 During 2011/12 the Panel considered regular reports from internal audit and external audit on risk management, governance and control arrangements, including the following key documents / reports which provide it with key assurances:

- The Head of Audit, Governance and Risk Service's annual assurance statement on the Council's risk management, control and governance arrangements
- The Council's draft financial statements and annual governance statement
- The audited accounts and the associated external audit annual letter (providing an opinion on the accounts) and management letter (setting out control issues arising from the annual external audit)

2.5 The Panel has 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 has also received regular updates on:

- risk management
- business continuity
- investigations and anti-fraud training / arrangements

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- governance related matters
- financial control
- the assurance framework for managing health and safety risks
- HR matters, such as staff complements, overtime, agency costs and staff attendance.

Review of Effectiveness of the Audit Panel

- 2.6 The LGA recommends that an annual assessment of the Audit Panel should be undertaken, based on the 'CIPFA – Audit Committees: practical guidance for local authorities' self-assessment checklist.
- 2.7 Initial review indicates that the Panel is largely fulfilling the requirements of an Audit Committee as set out in the good practice checklist. Following the elections and the re-constitution of the Panel, Member training was provided to help reinforce the role / responsibility of the Panel and explore ways in which the effectiveness of the Panel can be enhanced. The Council is also in the process of recruiting the external Member post, which should also assist the Panel going forward.
- 2.8 However, it is important that the Panel itself takes ownership for complying with good practice, we recommend that the Panel review the checklist for accuracy / agreement. It should also be noted that the ongoing external review may comment on the operation of the Panel.

External Member

- 2.9 As the Panel will be aware their work has, in line with good practice, been supported during 2011/12 by an external member, Mr David Bell. Mr Bell's contract was set up to last initially for one year with an option to extend for a further two years. During the course of 2011/12 Mr Bell has attended each meeting of the Panel and has made an important contribution to it. It is therefore proposed that the Council invokes its option to extend this contract by a further two years.

3. **Equality and Good Relations Considerations**

- 3.1 There are no equality or good relations considerations relating to this paper.

4. **Resource Implications**

4.1 **Financial**

The costs associated with the extension of the external members contract is £2,000 per year plus travel expenses, in line with the agreed contract amount.

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4.2 Human Resources

None.

4.3 Asset and Other Implications

None.

5. Recommendations

5.1 That Members of the Audit Panel note this summary report on the work completed by the Panel during 2011/12, as set out above.

5.2 That the Panel Members review the draft completed self-assessment of the Audit Panel set out at Appendix 2 and confirm their agreement with the assessment and identify any further areas where they consider the performance of the Panel could be improved.

5.3 That the Panel approves the extension of the external members contract for a further 2 years, thereby ensuring external member support to the Panel for the years 2012/13 and 2013/14.

6. Decision Tracking

6.1 Andrew Wilson, Head of Audit, Governance and Risk Services

7. Key to Abbreviations

7.1 AGRS – Audit, Governance and Risk Services

BCC – Belfast City Council

CIPFA – Chartered Institute of Public Finance and Accountancy

LGA – Local Government Auditor.”

The Panel adopted the recommendations.

Review of the Effectiveness of Internal Audit 2011/2012

The Panel considered the undernoted report:

“1. Relevant Background Information

1.1 The Local Government (Accounts and Audit) (Amendment) Regulations (Northern Ireland) 2006 which came into effect during 2007/08 make local government bodies explicitly responsible for their financial management, internal control and risk management systems

The Regulations place four main requirements on authorities:

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- 1. Ensure financial management is adequate and effective and establish a sound system of control including arrangements for the management of risk**
- 2. Conduct a review at least once a year of the effectiveness of the system of internal control**
- 3. Publish a statement on internal control* as part of the statement of accounts. This statement must be considered by a committee of the local government body, or by the members of the body meeting as a whole, and following that consideration, approved by the Chief Executive**
- 4. Maintain an adequate and effective system of internal audit in accordance with proper practices (and ensure an annual review of the effectiveness of the system of internal audit).**

*** - Now replaced by Annual Governance Statement**

- 1.2 Regarding the fourth requirement, this means that the internal audit function (which is provided by Audit, Governance and Risk Services) must work to professional standards and that the organisation should undertake an annual review of the effectiveness of the system of internal audit.**
- 1.3 In a sense the Council is ahead of the Regulations. Audit, Governance and Risk Services has been working to professional standards for internal audit for a number of years.**
- 1.4 Arrangements are in place to monitor the effectiveness of the internal audit function:**
 - the work of Audit, Governance and Risk Services may be relied upon by the Local Government Auditor as the basis for obtaining information / assurances around the Council's systems of internal control**
 - effectiveness is also measured through management satisfaction questionnaires which AGRS issue at the end of each completed systems audit. Responses to these during 2011/12 have been positive and are recorded on a monthly basis on the Council's CORVU performance management system**
 - The service reports regularly to a senior management Assurance Board and the Audit Panel on audit, governance and risk matters and routinely reports on its performance against key priorities and targets**

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- The Service is subject to periodic external reviews. At the time of writing such a review is in progress.
- In order to comply with the Regulations the Local Government Auditor has advised that councils in Northern Ireland should undertake a self-assessment of its service against a compliance checklist included in the CIPFA Code of Practice for Internal Audit in Local Government (2006) and that this assessment should be considered by the Audit Panel.

2. Key Issues

2.1 Annual Review of Effectiveness of internal audit 2011/12

We have completed the recommended self-assessment checklist (see attachment) and our overall conclusion is that the internal audit service complies with the professional standards set out in the CIPFA Code of Practice for internal audit in local government.

Issues Arising and Future Plans

2.2 One of the key issues arising is the ability of the Service to complete the audit plan in the light of the level of unplanned work and investigation work arising and in the light of ongoing vacancies. This has also had an impact on the Service's performance indicators. In planning for 2012/13 a number of steps are being taken to improve this:

- Review of existing processes
- (related to the above) procurement and implementation of a new recommendation tracking, risk and audit management system
- Establishment of quarterly plans and reporting of progress thereon
- Engagement of agency auditor

2.3 The Service is currently the subject of an external review by On Board Training and Consultancy. This review is covering compliance with professional standards and the value for money of the existing staff structure. The results of this review will be reported to the Assurance Board / Audit Panel in due course.

3. Equality and Good Relations Considerations

3.1 There are no equality or good relations considerations relating to this paper.

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4. Resource Implications

4.1 Financial

None.

4.2 Human Resources

None.

4.3 Asset and Other Implications

None.

5. Recommendations

5.1 That the Audit Panel notes that a review of the effectiveness of the internal audit service has been undertaken and that this review confirms compliance with the CIPFA Code of Practice for Internal Audit in local government.

5.2 That the Audit Panel approves the review of the effectiveness of the internal audit service, taking account of the completed checklist and the other arrangements for ensuring the effectiveness of the service, as highlighted in this report.

5.3 That the Audit Panel notes that an external review of the Service is currently ongoing.

6. Decision Tracking

6.1 Andrew Wilson, Head of Audit, Governance and Risk Services

7. Key to Abbreviations

**7.1 AGRS – Audit, Governance and Risk Services
CIPFA (NI) – Chartered Institute of Public Finance and Accountancy (Northern Ireland)
CORVU – the Council’s performance management system
LGA – Local Government Auditor.”**

Noted.

Audit, Governance and Risk Services Progress Report

The Panel considered the Audit, Governance and Risk Services progress report. The Panel was advised that a considerable amount of audit work had been completed in the period since the last meeting including reports in relation to a number of financial and operational areas. He highlighted the key issues arising from the reports.

Following discussion, during which the Panel expressed concerns in relation to the timescale associated with accounts payable.

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The Panel noted the contents of the report.

The Panel noted the information which had been provided and agreed to request the Director of Finance and Resources to provide to the Panel at its scheduled meeting in September an overview of the plan to implement the recommendations emanating from the Accounts Payable audit.

Corporate Health and Safety Update

The Committee considered the undernoted report:

“Relevant Background Information

Health and safety 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).

This report seeks to update the Assurance Board / Audit Panel on progress with health and safety priorities set for 2011/12 and 2012/13.

Key Issues

Progress on health and safety priorities for 2011/12

Health and safety inspections

The Council’s health and safety inspection system for 2011/12 was completed at the end of April 2012. Inspection reports are in the process of being issued to departments and progress with the completion of health and safety actions will be monitored corporately through the Council’s CORVU performance management system.

The Council had a key performance indicator for the completion of 80% of the health and safety recommendations arising from the 2010/11 inspection programme by the 31st March 2012. Good progress was made in closing out these actions during the year and the 80% target was achieved at the end of Quarter 4.

Health and Safety Committees

It was advised at the previous meeting, that the new Health and Safety Committee structure was fully operational in all but one Department. Since the last meeting the Parks and Leisure Department has now formed their departmental committee and it has met on two occasions.

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Areas of work for 2012/13

External Review of health and safety management arrangements

An external review of the Council's Health and Safety Management arrangements is being scheduled by the Internal Audit unit for June – August 2012. Quotations are currently being evaluated for contract award in early June. The purpose of the audit is to provide independent assurance to Members and senior management regarding the risk management, control and governance arrangements pertaining to health and safety and it is anticipated a report will be available for the November / December meeting.

Stress Management

A programme of work is continuing to be developed by the COHSU in conjunction with the Corporate Human Resources to address this. This will look at stress training for managers; emotional wellbeing training for staff; and early identification and intervention within units with increasing stress related absence levels.

Health and safety training provision

As advised, a review of corporate health and safety training provision will be undertaken during the year to ensure that it is fit for purpose and making the best use of limited financial and staff resources.

Event safety management

As discussed at a previous Audit Panel meeting and at the request of the Health and Safety Assurance Board, a review will be undertaken during 2012/13 of event safety arrangements within the Council.

Resource Implications

No significant resource requirements.

Equality Implications

None.

Recommendations

The Audit Panel is requested to note the corporate health and safety progress report.

Decision Tracking

**Audit Panel,
Tuesday, 12th June, 2012**

**Emma Eaton, Corporate Health and Safety Manager
Key to Abbreviations**

**AGRS - Audit, Governance and Risk Services
H&S - Health and Safety
COHSU - Corporate Occupational Health and Safety Unit
WIRES - Workplace Inspection and Risk Evaluation
COMT - Chief Officers Management Team.”**

Noted.

Attendance Management

The Audit Panel noted the contents of a report providing information in respect of the year end absence figures for 2011/2012 and recommended that the Strategic Policy and Resources Committee, at its meeting on 22nd June, in considering the minutes, approve the proposed target absence figure of 10.3 days per full-time equivalent for 2012/2013. The Director explained that the Head of Human Resources would provide at the next meeting a presentation in respect of the main causes of staff absence.

Staff Costs - 2011/2012

The Panel considered the undernoted report:

“1.0 Purpose

1.1 This report provides information on staff costs, overtime and agency costs for the year ended 31 March 2012.

2.0 Background

2.1 The Audit Panel on 7 March 2011 approved a revised reporting framework effective from quarter one 2011/12 that:

- Provides information on the number and status of vacant posts in the council;
- Compares actual staff costs to agreed staff budgets at corporate and departmental level;
- Details how much of the actual staff budget was spent on agency and overtime at corporate and departmental level.

3.0 Key Issues

3.1 Staff costs compared to staff budget

- Staff costs for the council for 2011/12 were £82,148,257 against a target of £83,416,596.
- This represents an overall underspend of £1,268,339 or 1.52% of the annual budget.
- Appendix 1 provides details of staff costs at corporate and departmental level.

**Audit Panel,
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3.2 How much of the total was spent on overtime and agency

- Overtime accounted for 5.65% or £4,638,115 of direct employee costs for 2011/12.
- Agency accounted for 5.26% or £4,318,297 of direct employee cost.
- Appendix 2 provides details of overtime at corporate and departmental level.
- Appendix 3 provides details of agency at corporate and departmental level.

4.0 Resource Implications

None

5.0 Equality and Good Relations Implications

None.

6.0 Recommendations

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

Noted.

Date of Next Meeting

The Panel agreed that its next meeting would take place in the Lavery Room at 1.00 p.m. on Tuesday, 18th September. In addition, the Panel agreed that a special meeting be held at 1.00 p.m. on Tuesday, 23rd October in order to consider the Audit Office's draft findings in respect of the Council's Annual Accounts 2011/2012.

Chairman