

Audit Panel

Tuesday, 23rd October, 2012

SPECIAL MEETING OF AUDIT PANEL

Members present: Alderman Rodgers (Chairman); and
Councillors Jones and Lavery and Mr. D. Bell.

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

Apologies

Apologies for inability to attend were reported from the High Sheriff (Alderman M. Campbell), Alderman Smyth and Councillor Mullan.

Minutes

The minutes of the meeting of 18th September were taken as read and signed as correct.

Declarations of Interest

No declarations of interest were reported.

Northern Ireland Audit Office – Draft Report to those Charged with Governance

The Director of the Northern Ireland Audit Office, Mr. R. Allen, advised the Panel that a Draft Report to those Charged with Governance had been prepared, subject to factual accuracy being confirmed by Council officers. He explained that the process this year had been undertaken earlier than in previous years, and that a final Report, including the Officers' comments in response, would be submitted to the meeting of the Panel in December.

Mr. Allen reminded the Panel that the Local Government Auditor's Strategy for 2010/2011, which had been presented to the Panel at its meeting in March, had identified a number of key risks and the Draft Report to those Charged with Governance for the period 2011/2012 addressed those risks. He advised the Panel that it was anticipated that the Report to those Charged with Governance would contain a clean, unqualified opinion for 2011/12.

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The Audit Manager, Mr. A. Knox, reported that the Northern Ireland Audit Office was currently on target to deliver the Report to those Charged with Governance by 31st October, and he provided an overview of the significant findings and recommendations therein. He informed the Panel that those areas which had been identified included landfill provision; the loans pool; procurement issues; land disposals; the Connswater Community Greenway; data security issues; grant payments to outside bodies; the changing of banking facilities; and the re-valuation of fixed assets. He outlined a number of priority one recommendations, including the procurement of contracts; contract management issues; tender evaluations; the timeliness of economic appraisals; fixed asset re-valuations; and pension contributions. Mr. Knox outlined also a number of priority two recommendations which would be included within the Report.

Mr. Knox advised the Panel that a number of significant adjustments had been made to the financial statements arising from the updating of fixed asset valuations which had impacted upon the balance sheet. He concluded by reporting that a Letter of Representation would be required, to be endorsed by the Council's Chief Financial Officer, confirming that there would be no post-balance sheet events which would have an impact on the financial accounts.

The Director of Finance and Resources reiterated the timescales which had previously been outlined and assured the Panel that a response would be made to the Northern Ireland Audit Office by 23rd November and, subsequently, would be reported to the Panel at its meeting in December. Thereafter, a process would be put in place to ensure that the recommendations contained within the Report to those Charged with Governance would be monitored to ensure implementation. The Director advised the Panel that discussions would commence shortly with the Land and Property Services in regard to the timeliness with which that organisation had provided information in relation to the re-valuation of assets.

After discussion, the Panel thanked the staff of the Northern Ireland Audit Office and the Council's Financial Services Section and agreed to note the information which had been provided.

Independent Review of the Corporate Risks

The Panel considered the undernoted report:

"1 Relevant Background Information

- 1.1 The purpose of this paper is to provide assurance to the Audit Panel, on the management of the Council's key risks.**
- 1.2 The management of corporate risks has a direct impact on the achievement of the corporate plan and therefore it is important that Members and management receive reliable assurance on the management of these corporate risks. Assurance can be gained from a number of sources including the Directors' Quarterly Assurance Statements, Senior Managers Annual Assurance Statements, performance reports, and also through independent sources of assurance such as external audit, internal audit, external reviews, etc.**

1.3 The Annual Governance Statement (AGS) for 2011/12 disclosed seven significant governance issues facing the Council which were based upon the red risks in the Council's Corporate Risk Register, namely risks in relation to:

- **Waste management**
- **Asset management**
- **RPA**
- **Rates**
- **Investment Programme**
- **Information management – FOI / DPA**
- **Health and Safety**

1.4 Following their review of the AGS for 2011/12 and the Corporate Risk Register (CRR), the Assurance Board and Audit Panel requested independent assurance on the management of the above corporate risks and a mid-year update on the significant governance issues reported in the 2011/12 AGS. This paper reports the results of the AGRS review of 6 of the corporate risks; the 7th risk, relating to health and safety is subject to an ongoing external review with a final report expected to be reported to the Audit Panel in December 2012.

1.5 In providing assurance it should be noted that Audit, Governance and Risk Services can provide a reasonable rather than absolute assurance over the management of the corporate risks.

1.6 The full reports on the review of each corporate risk has been discussed and agreed with the relevant Director.

2 Key Issues

2.1 General Summary

2.1 As a result of our review we can provide reasonable assurance that the key corporate risks are being proactively managed.

2.2 The Risk Owners have put considerable effort into developing action plans to better manage these risks and securing resources that should enable the delivery of these action plans. While acknowledging the work done to date, it is important to recognise that the current risk rating for each of these 6 corporate risks is red and will remain red until these action plans are implemented while continuing to ensure that key controls remain in place and are operating effectively. Emphasis is now required on the timely implementation of these action plans in order to manage these risks 'down' to more tolerable level. Integral to this is

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the need for effective monitoring of the implementation of these risk action plans and the continued operation of key controls and the need to ensure that there is a robust assurance framework around the management of these risks.

- 2.3** The Director who is responsible for each of these risks has considered the current risk rating and has also advised of the target risk rating that could be achieved on the basis of the necessary mitigating action being taken. All of the target risk ratings are either amber or green, i.e. within the council's tolerance levels.
- 2.4** The risk action plans for these corporate risks will be reviewed and updated to reflect these results of this review as part of the quarterly risk review and reporting process. In addition, as each of these risks were declared within the Annual Governance Statement for y/e March 2012, management will also have to provide a progress update to the Audit Panel at the year-end regarding the action taken to manage these risks.

Summary of key controls and proposed actions to manage the 6 corporate risks reviewed

- 2.6** The table below summarises the key controls and proposed actions that management have agreed are required to mitigate the 6 corporate risks reviewed. For further information, appendices 1 – 6 contain the full reports on the reviews of each corporate risk.

Ref	Corporate Risk / Annual Governance Statement Declaration	Summary of key controls and key actions
1	<p>Management of the City's waste (non-achievement of NILAS targets)</p> <p>Risk Owner: Director of Health & Environmental Services</p>	<p>The Director has set a target risk rating of significant (amber).</p> <p>A Zero Waste Action Plan, setting out the actions needed to meet recycling targets, has been agreed by Committee and will be overseen by the Waste Programme Board. In addition, the Waste Management Service is working closely with arc21 on major projects and procurement exercises.</p>

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		<p>The key actions proposed to better manage this risk include delivery of the activities in the Zero Waste Action Plan, including the implementation of a robust framework to report and monitor these projects; working with arc21 to ensure that an adequate waste infrastructure is put in place in the long term and; ensuring that appropriate contingency arrangements are in place.</p> <p><i>More detailed information is provided at Appendix 1.</i></p>
2	<p>Strategic management of the Council's assets</p> <p>Risk owner: Director of Property & Projects</p>	<p>The Director has set a target risk rating of moderate (amber).</p> <p>The role of the Asset Management Board (AMB) is the key overarching control for the strategic management of the council's assets. The recent recruitment of a programme manager and assistant project managers will enable better management of this risk.</p> <p>The key actions proposed to better manage this risk relate to the prompt finalisation of a comprehensive work plan for the AMB and its 5 programmes of work, together with reliable and timely reporting of progress to and monitoring by the AMB against this work plan. <i>More detailed information is provided at Appendix 2.</i></p>
3	<p>Meeting the challenges presented by local government reform / Review of Public Administration</p>	<p>The Director has set a target risk rating of moderate (amber).</p>

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	<p>Risk owner: Director of Finance & Resources</p>	<p>Much work has been undertaken to prepare for RPA, including engagement at various levels, representation on various regional groups; the development and approval of a detailed RPA Delivery Plan and; the recent recruitment exercise which should help ensure that the necessary action continues to be taken to mitigate this risk.</p> <p>Key actions that are necessary to manage this risk include the reinstatement of internal project teams with defined programmes of work; the continual monitoring of implementation of the RPA Delivery Plan including undertaking due diligence reviews and; the reinstatement of formal engagement mechanisms with Lisburn and Castlereagh Councils.</p> <p><i>More detailed information is provided at Appendix 3.</i></p>
<p>4</p>	<p>Uncertainty of the rate base</p> <p>Risk owner: Director of Finance & Resources</p>	<p>The Director has set a target risk rating of moderate (amber).</p> <p>The ability of the council to effectively manage this risk is strongly influenced by a number of external factors, primarily the economic climate.</p> <p>The starting point for better management of this risk has been the setting up of a MOU combined with relationship building and engagement with the LPS. In addition Council officers have</p>

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		<p>become more knowledgeable in rating issues and have recently been given access to more detailed LPS data which they will analyse and challenge.</p> <p>Key actions to mitigate this risk include further development of KPI's and benchmarking data and reporting and monitoring of same and implementation of actions for maximising the collectible rate and reducing collection losses (as agreed with LPS).</p> <p><i>More detailed information is provided at Appendix 4.</i></p>
5	<p>The delivery of the Investment Programme and, related to this, management of major Council projects</p> <p>Risk owner: Director of Finance & Resources</p>	<p>The Director has set a target risk rating of low (green).</p> <p>In terms of managing this risk, a programme of work has been agreed comprising 36 projects; a governance structure has been agreed; Member area working groups have been established and key posts have been recruited.</p> <p>The development and implementation of a robust corporate programme and project management methodology is crucial to the successful management of this risk to a low rating and will be supported by the development and implementation of an IT system. The risk action plan also acknowledges the need to secure external funding for projects as required.</p> <p><i>More detailed information is provided at Appendix 5.</i></p>

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6	<p>Ineffective information management systems and procedures result in non-compliance with legislation and best practice standards e.g. FOI, DPA etc</p> <p>Risk owner: Director of Finance & Resources</p>	<p>The Director has set a target risk rating of low (green).</p> <p>This is a new risk on the corporate risk register and the supporting risk action plan has not yet been fully developed. However management fully recognise that an effective response to this risk is required and to this end have developed, and are in the process of agreeing, a draft action plan which addresses the recommendations arising from recent AGRS and consultancy reviews of DPA and FOPI respectively. The timely implementation of the agreed action plan is central to the management of this risk. As such it is important that management agree the action plan and allocate responsible officers and timeframes to each action, in addition to monitoring whether timely progress is being made.</p> <p><i>More detailed information is provided at Appendix 6.</i></p>
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3 Resource Implications

3.1 Financial
None.

3.2 Human Resources
None.

3.3 Asset and Other Implications
None.

4 Equality and Good Relations Considerations

4.1 None

5 Recommendations

5.1 Audit Panel to note the mid-year review of the corporate risks.

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5.2 Audit Panel is asked to note that AGRS will undertake a further independent review of progress to manage these key risks in April 2013 as part of the process of completing the Annual Governance Statement for 2012/13.”

The Audit, Governance and Risk Services Manager provided an overview of the process which had been undertaken to enable the independent assurance on the management of the corporate risks to be completed.

The Panel raised a number of questions in relation to the difference between managing the likelihood of a risk and reducing the impact thereof; the timescales for the monitoring of the departmental risk registers; the appointment of risk champions; and the management by departmental directors of those risks which did not come under their direct control but which impacted upon their responsibility.

After discussion, the Panel agreed to note the contents of the report and noted also that the Audit, Governance and Risk Service would undertake a further independent review of progress to manage those key risks in April, 2013 as part of the process of completing the Annual Governance Statement for 2012 to 2013.

Chairman