

# Audit Panel

Tuesday, 11th December, 2012

## MEETING OF AUDIT PANEL

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

In attendance: Mr. M. McBride, Head of Finance and Performance;  
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;  
Ms. E. Eaton, Corporate Health and Safety 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  
Mr. B. Flynn, Democratic Services Officer.

### Apology

An apology for inability to attend was reported from Alderman Smyth.

### Minutes

The minutes of the meeting of 23rd October were taken as read and signed as correct.

### Declarations of Interest

No declarations of interest were reported.

### Annual Audit Letter 2011/2012

The Panel considered the undernoted report which outlined the key aspects of the Council's Annual Audit Letter for 2011/2012, which had been received from the Local Government Auditor. A copy of the Letter would be published on the Council's Modern.gov site and forwarded to each Member of the Council for information:

### “Relevant Background Information

**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. Accounts Adjustments

The Chief Local Government Auditor had noted a number of minor and material adjustments to the draft accounts as a result of his audit work and these were reported to, and discussed at the Audit Panel at its meeting of 23 October 2012. The accounts for 2011/12 were given an unqualified opinion.

#### 2. Annual Governance Statement

The Chief Local Government Auditor has indicated that the Annual Governance Statement reflects compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12, it also complies with proper practices as specified by the Department of the Environment, and it is not misleading or inconsistent with other information from the audit.

#### 3. Proper Arrangements

The Chief Local Government Auditor is required to satisfy herself that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources. Having reviewed ten areas the Chief Local Government Auditor has confirmed that she is satisfied that the council has proper arrangements in place.

#### 4. Absenteeism

The annual rate of absenteeism has shown a decrease of 1.75 days from 2009/10.

Average number of days sickness absence per full time employee		
2009/10	2010/11	2011/12
12.22	10.31	10.47

There has been a considerable reduction in sickness absence since 2005 and the robust, fair and consistent management of attendance continues to be a key priority for Belfast City Council.

### Recommendation

The Panel is requested to note the comments and review the Annual Audit Letter.”

Mr. Allen and Mr. Knox summarised the findings of the Auditor's Letter and highlighted the areas which had been identified for further action by the Council. The Auditor had been satisfied that the Council had put in place 'proper arrangements to ensure economy, efficiency and effectiveness in the use of its resources and that public money had been properly accounted for' during the financial year 2011/2012.

After discussion, the Panel thanked the staff of the Audit Office for the work which they had undertaken and agreed to note the information which had been provided.

### **Report to those Charged with Governance 2011/2012**

The Panel was advised that the Local Government Auditor had issued the Council with her 'Report to those Charged with Governance' for the financial year 2011/2012. The report provided a summary of the Auditor's findings which had been identified as a result of her audit and which included a number of recommendations for implementation by the Council. A full copy of the report would be made available on the Council's Modern.gov system.

The Head of Finance and Performance indicated that, arising from the report, the Auditor had expressed overall satisfaction with the Council's financial management arrangements in 2011/2012. He reported that five of the thirteen associated recommendations which had been made by the Auditor had been considered as 'Priority 1' in nature in that they were considered to be "fundamental weaknesses" which would require immediate attention by the Council. He explained that two of those matters related to procurement issues in respect of which the Council had acted upon to address any perceived weakness. He pointed out also that the Council's Head of Contracts would oversee the drawing-up of procedures for single tender actions to address any changes deemed appropriate to comply with the Auditor's findings. Of the three further 'Priority 1' areas, two would be addressed as part of the Council's processes for the production of its annual accounts, whilst the remaining matter had been resolved.

The Head of Finance and Performance pointed out that seven of the remaining eight of the Auditor's recommendations for action were considered to be 'Priority 2', that being, "weaknesses which were not fundamental, but which should be addressed as soon as possible". He proceeded to outline the steps which had already been undertaken to address the issues raised and he indicated how additional measures would be implemented to deal with any outstanding matters during the forthcoming year.

Mr. Allen clarified a range of Members' queries in respect of issues raised by the Auditor, particularly in relation to the revaluation of Council's assets. The Panel expressed concern that the comments made in relation to the Connswater Community Greenway could infer criticism of the Council, when, in fact, the tender had been awarded to the East Belfast Partnership Board under the advice of the Central Procurement Directorate.

The Panel welcomed the overall findings of the Audit and, arising from discussion, officers agreed to submit a report to a future meeting which would provide details of the management arrangements for the corporate contract which the Council had entered into with Vodafone in respect of the supply and use of mobile phones and the associated charges.

After discussion, during which Members paid tribute to the staff of the Finance and Resources Department, the Panel agreed to note the contents of the report.

## **External Review of Audit, Governance and Risk Services**

The Panel considered the undernoted report:

### **“1 Relevant Background Information**

#### **1.1 Purpose of Report**

1.1.1 The purpose of this paper is to report the results of an external review of Audit, Governance and Risk Services (AGRS) which has recently been completed by On Board Training and Consultancy.

#### **1.2 Legislative Requirements and Professional Standards**

1.2.1 The Local Government (Accounts and Audit) (Amendment) Regulations (Northern Ireland) 2006 include a specific requirement for local authorities ‘to maintain an adequate and effective system of internal audit in accordance with *proper practices*.’ This essentially means complying with the professional standards expected of internal auditors in local government. Currently the applicable standards are those set out in the Chartered Institute of Public Finance and Accountancy’s (CIPFA’s) Code of Practice for internal audit in local government. As such, and in line with good practice, independent reviewers On Board, have undertaken a review of AGRS’ compliance with these professional standards.

1.2.2 The key results of the review are summarised below.

### **2 Key Issues**

#### **2.1 Compliance with Professional Standards**

2.1.1 On Board reviewed the work of AGRS against the 11 standards set out in the CIPFA Code:

##### **Organisational standards:**

- Scope of internal audit
- Independence
- Ethics for internal auditors
- Audit committees
- Relationships
- Staffing, training and continuing professional development

##### **Operational standards:**

- Audit strategy and planning
- Undertaking audit work
- Due professional care
- Reporting
- Performance, quality and effectiveness

2.1.2 On Board used the evidence collected from interviews, file reviews etc. to form an opinion on the level of compliance of AGRS with each of the 11 standards and to draw an overall conclusion on the level of compliance of AGRS with the CIPFA Code of Practice.

2.1.3 The four levels of compliance are high, reasonable, limited or low. Definitions of these four categories are set out in Table 1 below:

**Table 1 – Levels of Compliance against Professional Standards**

<b>HIGH</b>	This indicates a high level of compliance by AGRS with an individual standard, with either no or very minor recommendations for improvement.
<b>REASONABLE</b>	This indicates that AGRS complies with most of the fundamental principles of the standard but that there are some areas where improvements can be made.
<b>LIMITED</b>	This indicates that there are areas where AGRS complies with the standard but, in overall terms, the standard has not been complied with. In this case, there will be several recommendations for improvement.
<b>LOW</b>	This indicates that there is little or no compliance with the standard.

2.1.4 In overall terms, On Board has assessed the level of compliance of AGRS with the CIPFA Code as High.

2.1.5 In assessing the level of compliance with the 11 standards in the CIPFA Code, On Board concluded that there was a high level compliance with 7 of the standards and a reasonable level of compliance with the remaining 4 standards. Table 2 (below) shows the level of compliance of AGRS in relation to each individual standard and provides comparative data in relation to the ratings given in the previous external review carried out in 2006. The table shows that there has been a significant level of improvement in recent years which supports the observations of clients and other senior managers in the Council who were interviewed as part of this review.

**Table 2: Level of compliance with the CIPFA Code - 2006 and 2012**

Standard	Level of compliance	
	2012	2006
1. Scope of internal audit	High	Limited
2. Independence	Reasonable	Reasonable
3. Ethics for internal auditors	High	n/a
4. Audit committees	Reasonable	Limited
5. Relationships	High	High
6. Staffing, training and continuing professional development	Reasonable	High
7. Audit strategy and planning	Reasonable	High
8. Undertaking audit work	High	Reasonable
9. Due professional care	High	High
10. Reporting	High	High
11. Performance, quality and effectiveness	High	Reasonable

2.1.6 The report made a number of recommendations for improvement which have been agreed by AGRS management. An action plan has been prepared and implementation will be monitored through the audit recommendation monitoring process.

**2.2 Review of processes**

2.2.1 In addition to the standards review (see above), On Board also assisted AGRS by reviewing the draft specification we had prepared for the new audit, risk and action tracking system and reviewed the proposed related processes to ensure that they met best practice, particularly in relation to risk management. The results of this part of the review have been therefore used to inform the specification which has now progressed to tender award stage. AGRS is currently at the stage of agreeing a contract with the system providers and preparing for implementation.

## **2.3 Review of AGRS structure**

**2.3.1** In addition to the compliance with standards and process review, On Board also undertook a brief review of the structure of AGRS.

**2.3.2** The main observation of the consultant was that AGRS provides a high quality service to the Council. Many of AGRS' services – risk management, fraud investigations, project assurance - require highly qualified and skilled auditors and These value added services can only be provided, in the main by high qualified staff with specialist skills and expertise. This level of service and the calibre of assurances demanded come at a price. On Board found that the advisory and project assurance role provided by AGRS is particularly valued by management and has raised the profile and reputation of AGRS within the Council.

**2.3.3** While On Board also refer to lower level, more routine audit work in the audit plan (which would not require the same calibre of auditor), this needs to be tempered by the view that these are comparatively few in number.

**2.3** Following discussion between the Director of Finance and Resources and the Head of Audit, Governance and Risk Services, it has been agreed that Corporate HR will be requested to review the grading of the Auditor post with a view to introducing two tiers of auditor post in the future – a senior and more junior level post. However, the pace at which this change is undertaken will be influenced by the implementation of the Investment Programme and the Review of Public Administration and the associated transfer of functions which would be perceived as high risk. These changes will impact on the assurance and advisory requirements placed on AGRS.

## **2.4 arc21 Internal Audit Service**

**2.4.1** The review also looked at AGRS' provision of an internal audit service to arc21, which is provided under a Service Level Agreement. The review confirmed a high level of compliance with standards and will be reported in detail to arc21's Audit Committee.

## **3 Resource Implications**

### **3.1 Human Resources**

As noted above, it is proposed that HR be asked to review the Auditor post with a view to creating two tiers of auditor staff.

## **5 Recommendations**

The Audit Panel is requested to:

- i) **note the outcome of the external review of AGRS and that the review has concluded that AGRS' overall level of compliance with professional standards is high; and**
- ii) **note that an action plan is in place arising from the standards review to implement the recommendations arising from the review and the Audit Panel will be notified of progress as part of the recommendation monitoring process."**

The Head of Audit, Governance and Risk Services outlined the principal aspects of the report and indicated that the external review of the Service had proved to be most satisfactory. He stated that the findings had reflected the high level of skill and expertise which existed within the Service. He pointed out that suggestions had arisen within the report in respect of the future staffing structure of the Service and he reported that this matter would be addressed by Corporate Human Resources. However, he indicated that the rate at which changes proposed to the Service would be implemented would be influenced by the development of the Investment Programme and the transfer of so-called 'high-risk' functions to the Council as part of the Review of Public Administration. Such developments, he added, would impact significantly on the Service given that it would be required to provide additional assurance and undertake further advisory work on behalf of the Council.

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

### **Corporate Risk Management**

The Panel considered the undernoted report:

#### **"1 Relevant Background Information**

**The purpose of this report is to:**

- **report to the Audit Panel on the operation of the assurance processes over the Council's arrangements for the management of risk for the quarter ending September 2012**
- **present the updated corporate risk register for quarter ending September 2012**
- **update the Audit Panel on the procurement of the new integrated corporate action tracking, risk management and audit management system**
- **update the Audit Panel on business continuity management and pandemic planning.**

#### **2 Key Issues**

##### **1. Assurance on the Management of Risk**

###### **Management Assurance**

**Each of the 15 risks in the corporate risk register has a nominated Risk Owner who is responsible for ensuring that the**



risk is managed effectively and evidenced as such in the relevant departmental risk action plans.

Management is responsible for ensuring that risks are properly identified, evaluated, managed and reviewed. Departmental Risk Champions co-ordinate and monitor the update of the risk registers and risk action plans within the Department.

In order to obtain assurance on the management of risk, on a quarterly basis each Chief Officer and the Head of Human Resources, prepares and signs a quarterly assurance statement to:

- confirm compliance with risk management processes
- list the key risks that they have responsibility for managing (corporate risks and 'red' departmental risks)
- confirm that there are appropriate action plans in place to manage these risks
- identify any proposed actions and, where applicable, explain any slippage
- provide a formal assurance that the risks are being managed.

AGRS can confirm that, for the quarter ending September 2012, all Chief Officers and the Head of Human Resources, have signed assurance statements confirming that the corporate, departmental and operational risk registers and action plans have been reviewed and updated and that they are content that overall the Council's agreed risk management processes, as set out in the Council's risk management strategy, are being complied with.

### AGRS Assurance

The results of the recent review by AGRS of the management of 6 red corporate risks that were declared within the Annual Governance Statement for y/e March 2012 were reported to CMT, Assurance Board and Audit Panel in October 2012. The Risk Owners have updated the risk action plans to manage these corporate risks to reflect any new key controls / key actions, dates, responsible officers etc that are contained within the AGRS report.

A further review of the management of these risks will be undertaken by AGRS in March / April 2013.

### 2. Corporate Risk Register

For the quarter ending September 2012, our review meetings with individual Directors to discuss the management of corporate risks identified the following updates to the corporate risk register:

- Deletion of the corporate risk 'Failure to ensure both corporate and capital projects are managed in coherent, cohesive and accountable way' as programme and project management arrangements are being taken forward under corporate risk 14 'failure to deliver the Investment Programme'.
- New potential risk causes added to corporate risk 13 re draw down of EU funding - Invest NI capital budgets not secured and; lack of experience / knowledge of ERDF Capital Projects
- Update of the potential risk causes for corporate risk 3 'failure to strategically manage the council's assets'.
- New potential risk causes added to corporate risk 14 'failure to deliver the Investment Programme' - failure to secure external funding (e.g. European Regional Development Fund and Urban Broadband Fund) and; failure to obtain political agreement on projects.
- Further definition of corporate risk 15 to relate only to compliance with information management systems, with the risk being rated as high.

Chief Officers did not identify any new corporate risks during the quarter ending September, 2012.

The corporate risk register has been updated to reflect the above changes and was agreed by CMT on 14th November and the Assurance Board on 28th November 2012.

### **3. Integrated Corporate Action Tracking, Risk Management and Audit Management System**

Following a comprehensive evaluation process a supplier has been selected for the procurement of the integrated corporate action tracking, risk management and audit management system and we aim for the contract to be agreed by the end of November 2012. We plan to pilot the new system within the Finance and Resources Department by the end of March 2013, with further phased roll out to other Departments from April 2013 onwards.

### **4. Business Continuity Management - Update**

Business continuity is a risk within the corporate risk register. One of the key ways 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 Business Continuity (BC) plans are up to date and have been exercised (at least annually) to ensure their effectiveness.

The BCM champions now meet twice a year for an information / training session and the first mid-year meeting was held on 18 September 2012.

There are 15 critical services in total. One service, Civic Headquarters has undertaken an exercise of their BCM plan and has completed the exercise report and forwarded to the Head of Service and Director for information. In addition, Waste Management has set a date for the exercise of their BC plan. The remaining 13 critical services have not yet set a date for exercise of the BC plans. All BC plans should be tested before the 31 March 2013. At the quarterly risk and audit update meetings, AGRS has reminded each Director of the need for these critical services to undertake the annual test of their BC plans.

#### **5. Pandemic Planning - Update**

The current pandemic alert level 3 (of 6), while not causing alarm, does according to the WHO "correlate with preparedness, including capacity development and response planning activities". This means that the Council has a responsibility to ensure that there are good plans in place to manage the effects of a pandemic, should there be one.

Following a request for update from AGRS, 4 of the 15 critical services have reviewed and updated their pandemic plans, which set out how they will deliver their service in the event of a pandemic. AGRS has written to the remaining 11 services reminding them of the need to review and update their pandemic plans.

#### **4 Recommendation**

**The Audit Panel is requested to note the updated corporate risk register for quarter ending September, 2012."**

The Panel noted the contents of the report.

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

The Panel considered a report which provided an overview of the work carried out over the previous months by Audit, Governance and Risk Services.

The Audit, Governance and Risk Services Manager outlined the findings of the reviews which had been undertaken on the Council's Street Cleansing Service, the Belfast Castle and Malone House, the Belfast Zoo and the Corporate Customer Complaints procedures and gave an overview of the recommendations which had been made arising from the reviews. He explained that further updates had been requested by the Assurance Board in respect of the audits.

After discussion, the Panel noted the contents of the report.

#### **Audit Recommendations Monitor**

The Head of Audit, Governance and Risk Services reminded the Panel that Audit, Governance and Risk Services had established a system to track and monitor the implementation of audit recommendations. He explained that the Service had liaised with representatives from each Department in order to determine the current status of

recommendations which had remained “open” since the date of the last monitoring exercise, which had taken place six months previously. He highlighted the fact that a significant number of the outstanding recommendations had, or would be, addressed specifically by departments through their inclusion and implementation within improvement plans.

He indicated also that, subsequent to the undertaking of a tendering exercise, the Council was in the process of agreeing the details of a contract with MK Insight to procure and implement an actions’ tracking, risk management and audit management system. He explained that this system would enhance the ability of the Service to monitor the implementation of recommendations. He pointed out that the system was due to be piloted within the Finance and Resources Department and rolled out corporately in 2013/2014.

The Panel noted the contents the information which had been provided and that a copy of the document would be published on the Modern.gov website.

### **Corporate Health and Safety - Update**

The Panel 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).**

#### **Key Issues**

##### **External Review of health and safety management arrangements**

**Further to the report in September 2012, Quadra Consulting have now completed their external review of the Council’s Health and Safety Management arrangements. The purpose of the audit was to provide independent assurance to Members and senior management regarding the risk management, control and governance arrangements pertaining to health and safety. The audit report has been received and is being considered by the Health and Safety Assurance Board. Further information will be provided to the Audit Panel in due course.**

##### **Stress Management**

**Further to the report in September 2012, a new mental health and emotional resilience training programme for both employees and managers has been piloted and will be rolled out to all sections in the New Year. This training has been incorporated into the Lord Mayors initiative to raise awareness of issues associated with suicide and to promote positive mental health in the city. The training forms an important part of how the Council discharges its duty of care to employees with regards to managing stress within the workplace.**

### **Policy on Protection of Staff from Workplace Violence and Abuse from the Public**

Further to the Council's approval of the Policy on Protection of Staff from Workplace Violence and Abuse from the Public in June 2012, the Corporate Health and Safety Manager has been delivering policy briefings for managers over the last couple of months. This has been well received and it is hoped that both staff and managers will feel supported in addressing this issue through the new policy. Reports on levels of work related violence within the Council will be included in future Audit Panel reports in accordance with the new policy.

### **Strategic Health and Safety Risk Management**

In conjunction with the Audit, Governance and Risk Service, the Corporate Health and Safety Manager will be reviewing the identification, assessment and control of health and safety risks within the Council in advance of the introduction of new management software in the New Year.

### **Recommendation**

**The Audit Panel is requested to note the progress report.”**

After discussion, during which Ms. Eaton answered a range of Members' queries in respect of the report, the Panel noted the information which had been provided.

### **Absence Management – Update**

The Head of Finance and Performance reminded the Panel that the Strategic Policy and Resources Committee, at its meeting on 22nd June, had agreed a Council target to reduce sickness absence across the Council to 10.30 days, per full-time equivalent, by March, 2013. He submitted for the Panel's consideration a report which provided information in respect of sickness absence for the second quarter of 2012/2013. The report indicated that sickness absence per employee for that period had been 5.65 days, which represented an increase of 0.50 days when measured against the target set by the Council. He outlined the extent of the work which was being undertaken to manage attendance in those units which were at risk of not meeting their target for 2012/2013, should their current level of absence continue. In addition, he highlighted the fact that employees who were on long-term absence were being monitored and managed by the relevant Departments and by the Human Resources and the Occupational Health Sections and that reports on absence management would continue to be submitted on a quarterly basis to both the Audit Panel and the Strategic Policy and Resources Committee.

The Panel noted the information which had been provided.

### **Staffing, Overtime and Agency Costs**

The Panel considered a report which provided an overview of the Council's staffing, overtime and agency costs for the second quarter of the financial year 2012/2013.

The Head of Finance and Performance reported that staff costs at the end of the second quarter were underspent by 1.24%, which represented a total of £526,292. He added that overtime costs had accounted for £2,336,062 of total employee costs, whilst agency costs stood at £2,300,056 at the end of the quarter. He pointed out that the costs were being managed in accordance with corporate guidelines and that any savings identified would be considered as part of the Investment Programme's commitment to create employment opportunities at no additional cost to the ratepayer.

The Panel noted the contents of the report.

### **Training for Audit Panel Members**

The Panel noted that a Members' half-day training session would take place on Tuesday, 22nd January, in the Fisherwick Room, the Belfast Castle, commencing at 9:00 a.m. In addition, it was noted that Mr. Bell had requested that the Chartered Institute of Public Financial Accountant's self-assessment checklist would be circulated to Members in advance of the training session.

### **Date of Next Meeting**

The Panel agreed that its next meeting would be held on Tuesday, 12th March at 1:00 p.m.

Chairman