

# Audit and Risk Panel

Tuesday, 7th March, 2017

## MEETING OF AUDIT AND RISK PANEL

Members present: Alderman Rodgers (Chairperson);  
Councillors Craig, Hutchinson,  
Jones and Mullan; and Mr. R. Cox.

In attendance: Mr. R. Cregan, Director of Finance and Resources;  
Mr. A. Harrison, Head of Audit, Governance  
and Risk Services;  
Mr. T. Wallace, Financial Accounting Manager;  
Mr. L. Mulholland, Audit, Governance and Risk  
Services Manager;  
Mrs. C. O'Prey, Audit, Governance and Risk  
Services Manager;  
Mrs. E. Eaton, Corporate Health and Safety Manager;  
Mrs. C. Kane, Director, Northern Ireland Audit Office; and  
Mrs. L. McLornan, Democratic Services Officer.

### **Pre-meeting with Head of AGRS**

The Audit and Risk Panel met privately with the Head of Audit, Governance and Risk Services (AGRS) before the meeting commenced.

### **Apologies**

No apologies were reported.

### **Minutes**

The minutes of the meeting of 6th December, 2016, were taken as read and signed as correct.

### **Declarations of Interest**

No declarations of interest were recorded.

### **Procurement Update**

(Mr. G. Millar, Director of Property and Projects, and Mr. D. Rogan, Head of Contracts, attended in connection with this item.)

The Panel considered the undernoted report:

#### **“1.0 Purpose**

**1.1 The purpose of this report is to update the Audit and Risk Panel on the organisational improvements in respect of**

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council procurement and contract management arrangements.

**2.0 Background**

**2.1** In 2015/2016 the council's spend was £145,746,397; £77,783,063 on physical development and £67,963,334 on supplies and services.

**2.2** The organisation has transformed the governance of procurements in line with wider organisational changes. All expenditure approval is now taken through Strategic Policy & Resources Committee. Capital expenditure and the physical development programme is approved through the council's physical development programme update reports. Expenditure for supplies and services is approved through the monthly contracts report which incorporates both new expenditure and the permission to extend existing contracts. This member governance is supported with internal officer boards to ensure alignment, maximisation of efficiency and enhancement of a more commercial approach.

**2.3** The remit of the procurement function has changed which is reflected in the 2015 legislative changes and most importantly within the council's Procurement Strategy. Increased focus on commercialisation, defining the commission, supporting the local economy and building social capacity has to be balanced between achieving Value for Money and managing risk to the council whilst all the while ensuring statutory and corporate compliance.

**2.4** Access to the marketplace for all council procurements is managed through the regional government's electronic platform. This platform recently underwent a change of systems provider which incorporated significant change. Feedback from the marketplace and other early adopters of this system has highlighted a number of application and usage issues. It is inevitable that the council will have to adopt this or an alternative system leading at a point in time.

**2.5** Due to the wider Organisational Development transformation programme the intended review of Contracts has been delayed to facilitate other relative priorities and organisation structure alignments. Financial resources have been made available for additional resources, which has been successful in ensuring the delivery of the physical regeneration programmes however it has been less successful in recruiting within the more traditional

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procurement officer discipline. This is due to lack of skilled resources in the marketplace and the inability to attract staff to temporary posts.

**2.6** The Investment Programme, Local Government Reform additional responsibilities, Regeneration Programmes and the emerging Belfast Agenda have all introduced a variety of high value contractual requirements. The risks associated with delivering these contracts and working with partners have been managed successfully to date with no significant penalties. Regardless these programmes have identified the need for further improvements in the areas of procurement and contract management.

**2.7** Recent corporate changes and events have led to procurement assurance requirements and the Head of Contracts has worked with AGRS to identify, implement and manage controls to meet these. This includes the refinement of processes associated with the Local Investment Fund (with further work planned in relation to the Belfast Investment Fund). However it should be recognised that procurement is an area of high risk in terms of meeting the organisations escalating ambitions, achieving Value for Money and, of the legal and reputation consequences of not complying with relevant statutory provision, Council's Standing Orders, Financial Regulations and our Scheme of Delegation.

**3.0** Key Issues

**3.1** Governance

**Supplies & Services**

A Commercial Panel chaired by the Deputy Chief Executive Director of Finance & Resources has been established as a subset of CMT see Appendix 1 for the terms of reference. It aims to:

- mitigate financial, reputational and legal risk
- improve demand management relating to contractual spend
- monitor corporate compliance
- drive commerciality and realise efficiencies, and
- support a systematic application of identifying and authorising changes in how we do business.

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An evidence based approach is applied to all of the above and is grounded in a detailed analysis of council expenditure which strategically groups areas of spend.

### **Capital**

Capital expenditure is managed through a joint Property & Projects and Financial Services Oversight Board. This monthly board has oversight of the entire physical regeneration programme and associated expenditure. In line with the agreed 3-Stage Capital Programme approval process, procurement and contract management expenditure is evaluated before being presented to Committee for approval. The individual procurement and contract management arrangements are authorised through the Senior Responsible Officer structure and Project Board governance arrangements in line with industry standards. These strategies reflect the risks and other specifics relating to the individual projects.

### **3.2 Systems**

Corporate Procurement Services are leading on a review of existing corporate policies, procedures guidance in doing this they are developing 'statement of need' in order to have their electronic platform requirements independently assessed for presentation to the Commercial Panel. In the interim improved controls in line with AGRS recommendations are being implemented.

A significant system improvement programme of work has taken place and the Commercial Panel have approved further initiatives in respect of this. In order to better manage the supplier relationship system key improvements have resulted in:

- Improved transparency of contract transactions
- Reduction in the overall number of transactions creating process efficiencies
- A training programme for users in line with a new Purchase Order Strategy

### **3.3 Process Improvements**

The Commercial Panel and CMT have approved enhanced processes in support of the new governance. The most significant of these include a decision point approval process relating to corporate tender requirements see Appendix 2. This results in a Programme of Tenders which

takes a strategic view of the organisational requirements with a relative prioritisation for approval. The decision point process also takes cognisance of contract management arrangements with a particular emphasis on contracts which generate income or have the potential to become distressed.

The finance oversight group have adopted the refinements associated with the Local Investment Fund and transferred the learning to revised Belfast Investment Fund processes. A series of 23 improvements have been adopted and implemented giving further assurance in respect of the payments, governance and outcomes management for these funding streams.

#### **3.4 Single Tender Actions**

Process improvements have led to the creation and monitoring of Single Tender Actions and other direct award contracts. In line with NIAO guidelines the Service now retains a database of direct awards ensuring the requisite business case and corporate approvals are in place. This supports Legal Services in providing the delegated authority statement of assurance.

#### **3.5 Social Capital**

Through the Investment Programme the council has incorporated local economic and social capital improvements. The latter has taken place within a new policy context with the outcomes regularly reported to Committee. To date the council's contracts have supported in excess of 230 new employment opportunities (full time annual equivalent). Working in partnership with regional government initiatives the council has been regionally recognised as leading in this field. In support of the Belfast Agenda we are currently developing a social outcomes procurement framework supported by a number of key partners which will assist in the mitigation of risks where social outcomes form part of the evaluation criteria.

#### **3.6 Local Economy**

Corporate Procurement Services in conjunction with Economic Initiatives and supported by members has developed a local multiplier model which demonstrates the significance of the council expenditure both locally and regionally. Over the long term this model will be used to monitor and assist in supporting the local economy and to

demonstrate the effectiveness of our approach to local business supply chain management in aid of local businesses. Traditionally this was considered an area of risk however the model takes advantage of the legislative change in 2015 which favours local focused procurement strategies including initiatives such as 'lotting'.

### **3.7 Financial Risk Assessment of Suppliers**

Directly related to the above corporate objective the Commercial Panel has adopted a risk based approach to the assessment of suppliers. Building on the 2014 EU Directive changes each tender opportunity is analysed by the evaluation panel in terms of financial and reputational risk of a failed contract. Applying this risk based approach determines the level of financial scrutiny required of the supply base and this is built into the tender process.

### **3.8 Innovation in Procurement & Contract Management**

The council's Procurement Strategy supports innovative approaches to commissioning & procurement; these have included both capital and revenue projects. For example, within the Leisure Transformation Programme contractual arrangements the council adopted an early contractor involvement approach. This approach was adopted after significant market engagement and reflects the risk of significant capital expenditure across four new leisure centres. Another example which embraces innovation and manages the associated risk is how the council buys its energy. The council has been able to obtain significant efficiency savings through a managed service which involves dynamic risk assessment and collaborative buying in the current volatile market.

### **3.9 Partnership Working**

The successful delivery of the council's physical development programme emanating from the Investment Programme, the Leisure Transformation Programme and various regeneration initiatives has led to the council acting as a delivery agent for number of third party government funders. Whilst this is attractive in realising member's ambitions it does not come without risk. The council will be subject to additional audit requirements from NIAO, however, building on the success of the European Funded Investment Programme we are confident that the systems and processes which have been modified and adopted within the physical programme will stand up to scrutiny.

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**4.0 Future work and focus**

Work includes the development of a Commissioning Strategy, working with the Commercial Panel to drive efficiencies and support increased income generation, embarking on an organisational wide capacity building programme and the restructure of the Service to mitigate the already identified AGRS risks and improvement actions. Waste contracts continue to be a challenge for the organisation reflecting the prevailing regional market conditions and current procurement arrangements. Following the adoption of a revised Waste Management Strategy this will remain a risk requiring key focus.

**5.0 Finance and Human Resource Implications**

**5.1 Financial Implications**

It is anticipated that there will be financial implications associated with a number of the proposed recommendations, these are unknown at this stage however they will be reviewed in line with the council's estimates process.

**5.2 Human Resource Implications**

1. The development of a new resources model may result in HR issues.
2. Support and advice from Corporate HR/OD, taking cognisance of the wider corporate review

**6.0 Decision Required**

**6.1 The Panel is asked to note the information contained in this report."**

The Director of Property and Projects advised the Panel that a representative from Audit, Governance and Risk Services could sit on the Commercial Panel as an observer.

In response to a Member's question regarding collaborative tenders, the Director of Finance advised the Panel that, since Local Government Reform had taken place, a new cross-Council group had been established to consider areas where Councils could mutually benefit from collective purchases.

In response to a further Member's question in relation to the Strategic Policy and Resources Committee approving contracts under delegated authority, the Director of

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Property and Projects confirmed that a quarterly report would be brought to that Committee to outline who had been awarded each contract.

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

**Actions Arising From Internal Audit of Waste Management**

(Mr. N. Grimshaw, Director of City and Neighbourhood Services, and Mr. T. Walker, Head of Waste Management, attended in connection with this item.)

The Committee considered the undernoted report:

**“1.0 Purpose of Report or Summary of main Issues**

**1.1 This report provides an update on actions arising from the Assurance Review of Waste Management in December 2016. The Executive Summary from this review highlighted that major improvement was needed within Waste Management regarding providing assurances. To that end, an action plan based on this, and previous audit recommendations, has been produced.**

**2.0 Recommendations**

**2.1 The panel is requested to note the action plan to implement the Assurance Review and other recommendations.**

**3.0 Main Report**

**3.1 In December 2016, following an internal Assurance Review of Waste Management, the AGRS team provided a review which considered that major improvements were needed. A number of high, medium and low priority recommendations were made to improve the assurance and controls across two main areas:**

- Managing the City’s Waste and;**
- Review of Corporate Risk Action Plan.**

**3.2 Waste Management developed and agreed with AGRS an action plan to address these recommendations. All of the agreed actions are to be implemented by March 2018, with several already completed. A copy of the plan, including management progress updates, is attached (see Appendix 1).**

**Updates on key aspects of the Action Plan are highlighted below.**

**Managing the City's Waste**

- 3.3** The Council currently meets its NILAS targets by balancing the waste sent to landfill with that sent for energy recovery – AGRS found the controls over provision of management information adequate and effective. In order to meet the NILAS and 50% Recycling Targets required by 2020 however, a project plan will be required. Through 2016, Waste Management produced and refined a strategy, the Waste Agenda, which is currently progressing through the Council's governance arrangements.
- 3.4** The objective of this strategy is to show how the Council could manage household waste in an affordable manner which will enable the 2020 targets to be met, and outline longer term arrangement to deliver future waste targets, such as those associated with the Circular Economy. Iterations of the strategy have been presented to the Director for comment and refined since early 2016 and it is anticipated that a final draft version will be considered at the Waste Program Board meeting in March 2017 before being considered by CMT, Committee and then subject to a Public Consultation.
- 3.5** Once the Waste Agenda has been consulted upon and revised in the autumn, this will form the basis for optimising waste operations and delivering the 2020 recycling targets and NILAS compliance. Waste Management will draw up a list of key tasks and milestones to implement the Waste Agenda, and set dates to ensure compliance with the overall timeframe. Performance against these dates will be monitored and reported to the Waste Plan Implementation Group/Waste Programme Board.
- 3.6** This will form a Control to this risk and will guide the strategic and operational approach for Waste Management to 2026 and beyond.

**Review of corporate risk action plan**

- 3.7** AGRS undertook a review of all corporate risks in 2016/17, of which Waste Management currently is one. Operationally, the Council has adequate contracts in place to manage the city's waste, both by quantity and mix of waste collected and to treat/dispose of it in accordance with NI and EU waste regulations.
- 3.8** A recent report by iESE in January 2017 addressed value-for-money for the waste contracts. This showed that waste

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disposal contracts in the Council are either reasonable, or good value for money.

**3.9 AGRS however noted that notwithstanding the work done to date, there are areas of uncertainty which may impinge on reducing the risk rating associated with Waste Management including :**

- **The potential effects of UK leaving the EU on the setting of waste targets and on use of EU Member States for waste treatment/disposal**
- **The initial refusal of planning permission for the arc21 EFW (energy-from-waste) project and subsequent appeal**

**3.10 Work is ongoing to mitigate these factors and are considered within the Waste Agenda. These and other actions such as contract monitoring, waste forecasting are featured within the Waste Management Risk action plan (see Appendix 1).**

**4.0 Equality and Good Relations Implications**

**4.1 None**

**5.0 Resource Implications**

**5.1 To be met within approved structure and budget.”**

In response to a Member’s question, the Head of Waste Management advised the Panel that he was aware of the risk of criminal activity in connection with the waste industry and he confirmed to the Panel that he worked closely with both Legal Services and Audit, Governance and Risk Services to ensure that the correct processes were being followed in terms of procurement and prevention.

After discussion, the Panel noted the contents of the report and the associated action plan to implement the Assurance Review.

**AGRS Progress Report**

The Panel considered a report which provided an overview of the specific internal audits which had been carried out for the period between December, 2016 and February, 2017, by Audit, Governance and Risk Services.

The Head of Audit, Governance and Risk Services highlighted that audits of Payroll and payments to Members, Follow up review of Visit Belfast and ERDF funded projects had been completed, where the opinion for Payroll was determined as ‘Major Improvement Needed’. He advised the Panel that the key issues which had led to the audit opinion were the high volume of manual calculations and limitations of the current system to enable management to adequately review all users and their level of access.

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The Head of AGRS reported that management had agreed to implement a number of interim improvements to address these issues and that a new HR/Payroll system was being implemented which would enable a more thorough review and improvement to processes. The Panel noted that the Director of Finance and Resources was the Senior Responsible Officer for the new Payroll system.

The Head of AGRS also reported that a number of important assurance audits were ongoing and would be reported to the Panel at its meeting in June, including:

- Budgetary control and financial reporting;
- Belfast Waterfront and Ulster Hall Ltd.;
- Review of IT Infrastructure and Security;
- Major Projects;
- Agency engagement and management;
- Grounds maintenance;
- Belfast Castle and Malone House; and
- Annual compliance review – Police and Community Safety Partnerships

After discussion, the Panel noted the Audit, Governance and Risk Services Progress Report for the period December 2016 – February 2017.

**Corporate Risk Management**

The Panel considered the undernoted report:

**“1.0 Purpose of Report or Summary of main Issues**

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

- 1) report to the Audit and Risk Panel on the assurance provided by Directors, in consultation with their departmental risk champions, on the risk management processes within their departments, including any updates on the corporate risks;**
- 2) seek Audit and Risk Panel approval for the reframing of the current corporate risk on ERDF to focus on the delivery of outcomes for all physical projects that the Council is delivering, whether externally funded or internally funded (para 3.2.3) and the allocation of an appropriate risk owner;**
- 3) update the Audit and Risk Panel on AGRS reviews of the management of corporate risks.**

**2.0 Recommendation**

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**2.1 The Audit & Risk Panel is asked to note the report, including the proposed change to the ERDF corporate risk.**

**3.0 Main report**

**3.1 Compliance with the Quarterly Risk Management Process**

**3.1.1 Management are responsible for reviewing the corporate risks / progress on actions on a quarterly basis on MKinsight. This provides the basis upon which Directors can sign quarterly assurance statements, whereby they provide an assurance regarding their risk management and related governance / control arrangements.**

**3.1.2 The table below summarises compliance with the risk review process for the quarter-end December 2016. While the majority of assurance statements have been completed and are due to be returned shortly, we note the following non-compliance issues:**

- a) Risk reviews have not been completed for all risks within the Property and Projects Department. The Director has assured us that all risks will be comprehensively reviewed and rationalised by the year-end.**
- b) The review of the corporate risk on city centre regeneration for the quarter ending December 2016 has not yet taken place on MK Insight, however we note that management provided a progress update to committee in January 2017.**
- c) Regarding Planning and Place, the review of Building Control risks for the quarter ending December 2016 has not yet taken place on MKinsight, however management have assured us that new risk owners will be assigned and risks will be reviewed by the year-end.**

Chief Officer	Assurance regarding compliance with the risk management process
Deputy Chief Executive and Director of Finance and Resources	Substantial compliance.
Director of Organisational Development	Full compliance.

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Director of City and Neighbourhood Services (including Assistant Directors and Community Development Manager)	Full compliance.
Town Solicitor	Full compliance [awaiting signed assurance statement].
Director of Property and Projects	Risk review partly completed [awaiting signed assurance statement].
Director of Planning and Place	Full compliance with the exception of Building Control risks [awaiting signed assurance statement].
Director of Development	Full compliance.
Director of City Centre Development	Risk review not completed [awaiting signed assurance statement]. Update report on this risk was provided to Committee in January 2017.

**3.1.3 Proposed change to the Corporate Risk Register**

The Assurance Board has proposed that the current corporate risk on ERDF projects is expanded to cover other externally funded capital projects. The current risk and the proposed new risk are outlined below:

**3.1.4 Current risk name: ERDF projects**

**3.1.5 Current risk description: ERDF clawbacks and financial penalties lead to BCC cost increases. In addition, failure to deliver project outcomes also presents a financial risk in addition to the reputational damage of the Council.**

**3.1.6 Proposed new risk name: ERDF and externally funded projects**

**3.1.7 Proposed new risk description: Clawbacks and financial penalties in relation to ERDF and other externally funded capital projects, lead to BCC cost increases. In addition, failure to deliver project outcomes also presents a financial risk in addition to the reputational damage of the Council.**

**3.1.8 The Assurance Board has also proposed that the risk relating to the delivery of outcomes for all physical projects that the Council is delivering, is included as a sub-set of the corporate risk on the agreement and delivery of the Belfast Agenda.**

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- 3.1.9** The Panel is asked to approve the changes to the corporate risks as outlined above.

**Risk Management for High Risk Capital Projects**

- 3.1.10** In addition to the management of corporate wide risks, the Council's risk management process provides for formal project risk management in respect of major, high risk, capital projects, as part of overall project management. This process is overseen by the Director of Property and Projects, who has confirmed that risk registers are in place and up to date for the current high risk projects, which are listed below:

<b>Table 1: List of 'high risk' projects</b>			
<b>Ref.</b>	<b>High Risk Projects</b>	<b>SRO</b>	<b>Nominated Client (handover of asset)</b>
1	Pitches Strategy	Rose Crozier	Nigel Grimshaw
2	Tropical Ravine	Rose Crozier	Nigel Grimshaw
3	Leisure Estates Programme (Robinson Centre, Brook, Andersonstown, Templemore, Avoniel and Girdwood -phase 2)	Ronan Cregan	Nigel Grimshaw
4	New Crematorium (proposed)	Rose Crozier	Nigel Grimshaw
5	North Foreshore	Gerry Millar	Gerry Millar

- 3.1.11** In January 2017, in line with the agreed process of improving risk management and related accountability, senior management reported to Committees on the management of key corporate risks, with one exception. The exception relates to the Strategic Planning and Corporate Frameworks risk which management has advised involves an extensive piece of work and needs to be properly scoped and planned before the actions can be put in place to manage the risk.

**3.2** **Reviewing the Management of Corporate Risks – Assurance from AGRS**

- 3.2.1** AGRS are responsible for providing assurances on risk management. One of the ways we address this is by undertaking specific reviews to provide independent assurance that corporate risks are being managed in line with action plan in order to achieve the target risk rating

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within the required timeframe. For 2016/17, AGRS has split these reviews in 2 tranches, as listed below.

**Tranche 1**

- **Asset management**
- **Change management**
- **City Centre regeneration**
- **Financial position of the Council**
- **H&S**
- **Information governance**
- **Local Development Plan**
- **Strategic Planning / Corporate Frameworks**

**3.2.2** Tranche 1 of the risk reviews has been completed. The key issues arising from the review of each risk are summarised at Appendix B (available on modern.gov).

**Tranche 2**

**3.2.3** Reviews of the risks listed below will be undertaken in March / April 2017, with the results reported to the Audit and Risk Panel in June 2017:

- **ERDF projects**
- **GLL**
- **Agreement / delivery of Community Plan**
- **Managing performance at Belfast Waterfront & Ulster Hall**
- **Waste management**
- **Physical investment programme**
- **Leisure estates programme**
- **Safeguarding all ages.”**

During discussion, the Panel agreed that a report on the planned maintenance of the Council's assets would be submitted to the next meeting.

The Panel noted the contents of the report, including the proposed change to the wording of the European Regional Development Fund corporate risk.

**Draft Internal Audit Strategy and Plan 2017/18**  
**(including Improvement Plan)**

The Panel considered the Audit and Risk Management Strategy and Plan for 2017/2018. It was reported that the strategy and plan outlined the role of the Service in assisting the Council to meet its statutory obligations in relation to internal control, risk management and good governance. The Head of Audit, Governance and Risk Services outlined the principal aspects of an associated assignment plan, which included provision for core assurance work as well as investigative and consultancy work. He advised that

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the plan focused on key risk areas and that the various assignments had been prioritised. He advised the Panel that the current plan could be met from existing resources but that if unforeseeable vacancies / resource gaps arose during the year, the Service would, as in previous years, review the possibility of using temporary positions, agency assignment or external contractors, within the constraints of the overall AGRS budget.

The Panel endorsed the contents of the plan for 2017/18.

**NIAO - Draft Audit Strategy for the audit of the Council's  
Financial Statements 2016/17**

The Panel was reminded that the Northern Ireland Audit Office (NIAO) produced an Audit Strategy each year, prior to its audit of the Council's financial statements. The Strategy summarised the purpose of the audit, the Audit Office's approach, the significant risks which it had identified which could impact upon the audit opinion and other matters of interest. The Local Government Auditor outlined that the key risk areas which would be a focus of the audit were the New Operational Configuration of the Council in addition to the Potential for Fraud and Whistle-blowing, Capital Projects, Reserves and the Management of Waste.

Noted.

**NIAO Report - Performance Improvement Arrangements**

The Panel considered the undernoted report:

**“1.0 Purpose of Report or Summary of main Issues**

**1.1 To provide assurance to the Panel that Council's arrangements to monitor performance of the delivery of its Improvement Objectives for 2016-17 have complied with the performance improvement requirements of Part 12 of the Local Government (NI) Act 2014.**

**2.0 Recommendations**

**2.1 The Panel is asked to:**

- **Note that the NIAO has undertaken its annual audit and assessment on the Council's arrangements to secure continuous improvement**
- **Approve the unqualified opinion that the Council has complied with the requirements of the Act (NIAO letter and certificate are attached at Appendix 1 and its full report at Appendix 2).**
- **Note that there are no formal recommendations contained within the report but rather a number of 'proposals for improvement' suggested by NIAO for consideration.**

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- Approve the Council's suggested actions to address the 'proposals for approval' (Appendix 3).

**3.0 Main report**

**Audit and Assessment of BCC Planning and Performance Arrangements 2016-17**

- 3.1 BCC's Corporate Plan 2016-17 was agreed by Council in May 2016. The Council's commitment to securing continuous improvement, through the delivery of 11 Improvement Objectives in line with Part 12 of the Local Government (Northern Ireland) Act, was contained within the Plan.**
- 3.2 Part 12 of the Act includes a requirement for the Northern Ireland Audit Office to determine and report each year on whether:**
- a) the Council has discharged its duties in relation to improvement planning, published the required improvement information and the extent to which the Council has acted in accordance with the Department's Guidance in relation to those duties (*a retrospective assessment*) and;
  - b) the Council is likely to comply with the requirement to make arrangements to secure continuous improvement in the exercise of its duties (*a forward looking assessment*).
- 3.3 As this was the first year of the new duty there was limited evidence for a retrospective assessment and NIAO therefore concentrated on part (b) above. Following a period of audit during which time evidence of compliance was compiled by the Performance Unit and clarifications were provided in face-to-face interviews in August and September.**
- 3.4 In the course of its Audit and Assessment the NIAO looked specifically at the general duty to improve, the underpinning governance arrangements, the agreed improvement objectives, our consultation arrangements, the Improvement Plan itself, arrangements in place to drive improvement and performance reporting of the seven statutory indicators and standards. We were considered to have complied in all respects. In particular the Auditor noted and commended the fact that the Council's arrangements to secure continuous improvement were '*well advanced*', that well established governance arrangements are in place to help us meet our responsibilities, that our improvement objectives are legitimate, well worded and ambitious, that our consultation**

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processes are meaningful, extensive and well documented, demonstrating many elements of good practice and that the projects associated with our improvement objectives are supported by delivery plans and budgets with clear lines of responsibility. Overall Belfast was considered to be *'well positioned to meet the requirements on continuous improvement'*.

- 3.5 Following the audit the NIAO concluded in its final report issued on November 30th that BCC has indeed complied and stated that the Local Government Auditor is *'satisfied that the Council has discharged its statutory performance improvement and reporting duties and that it acted in accordance with the Guidance'*. The full NIAO report is included in Appendix 2.
- 3.6 A small number of relatively minor proposals for improvement are included in the report and actions to implement these are outlined in Appendix 3. In general these actions are largely in place already but will be further developed and built upon. The Panel may also wish to note that the Auditor referred to the developing role of the Audit Panel in respect of this duty. The Terms of Reference for the Panel were amended at its meeting in September 2016 to reflect this. Further minor amendments have been suggested to make the role more explicit and these are included in a separate report to be considered at today's meeting.

**Next Steps - Corporate Plan and Improvement Objectives for 2017-18**

- 3.7 The Panel should note that work has begun on the development of the Council's Corporate Plan and associated Improvement Objectives for 2017-18, which will align directly with the Council's stated commitments within the Belfast Agenda. Where appropriate this new plan will build on the programmes and projects already underway while also initiating new activity.
- 3.8 To fulfil our Performance Improvement duty we will continue to monitor the progress of all improvement objectives for the remainder of 2016-17 and for the new 2017-18 Plan. The reporting arrangements will include regular updates to the Panel.

**Financial and Resource Implications**

- 3.9 The Council is required to cover the cost of the Performance Improvement Audit and the NIAO have advised that fees will

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**be calculated on the basis of the time spent by NIAO on Belfast's audit and on the levels of skill and responsibility that were involved. Officers made great efforts to minimise costs by providing all of the information in an accessible format at the outset.**

**Equality and Good Relations Implications**

**3.10 None associated with this report."**

The Panel adopted the recommendations within the report.

**Update on Corporate Health and Safety Performance**

The Corporate Health and Safety Manager provided the Panel with an update in relation to the Council's Health and Safety performance for the third quarter of 2016/2017. She explained that 48 accidents involving employees and 21 involving non-employees had been reported during the quarter, which represented an increase of six and three respectively on the previous three months. She advised the Panel that the highest number of those accidents could be attributed to slips, trips and falls.

She outlined that seventeen accidents had been categorised under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR), which was ten more than in the previous quarter. The Panel was advised that the number of reported accidents occurring in GLL-managed facilities during the quarter had been 117, with the number involving employees and non-employees having been 7 and 110 respectively. She reported that, of the seven employee accidents, none had been categorised under RIDDOR reportable to the Health and Safety Executive NI (HSENI). She informed the Panel that there had been 21 incidents of work-related violence during the quarter, which was comparable to the same quarter last year.

The Corporate Health and Safety Manager provided information on four visits to Council premises which had been undertaken by the HSENI during the quarter.

The Corporate Health and Safety Manager concluded by reviewing the progress which had been made in relation to the Corporate Health and Safety Unit's key health and safety priorities for 2016/2017 and confirmed that work was continuing on developing effective assurance arrangements for monitoring and reporting on the key corporate risks.

The Panel noted the information which had been provided.

**Absence Rates Q/E December 2016**

(Mrs. J. Minne, Director of Organisational Development, attended in connection with this item.)

The Panel considered a report providing information on the absence figures for the third quarter of 2016/2017. The Director of Organisational Development reported that

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sickness absence per employee for that period had been 9.09 days, which meant that the Council was above its target to reduce sickness absence to 10 days by the end of March, 2017. She advised that the number of absences which had been classified as long term (20 days or more) during the quarter had been 65.42%, which was an increase compared to the same period last year at 62.96%.

She informed the Panel that a quarter of absences were disability related and, for that particular type of absence, management was often legally required to make reasonable adjustments, including the level of discretion shown. She advised the Panel that this was due to an ageing workforce.

The Panel was advised that the Finance and Resources department was on target to meet its absence target for 2016/17, whereas the other four departments were at risk of not meeting their targets if their current level of absence continued.

The Director advised the Members that Corporate HR would continue to robustly monitor the implementation of the Council's Attendance Policy to ensure that timely and appropriate action was taken to manage attendance fairly and effectively across the organisation.

The Panel noted the information which had been provided.

**Annual Review of Effectiveness of Internal Audit**

The Panel considered the undernoted report:

**“1.0 Purpose of Report or Summary of main Issues**

**1.1 The purpose of this report is to advise the Panel that an independent review of AGRS is due in 2017 and to ask the Panel to approve the indicative scope of the review. The review will take place in summer 2017.**

**1.2 In the financial years between external reviews, the NIAO has indicated that internal audit functions should undertake a self-assessment of compliance with professional internal audit standards. This review has been completed for 2016/17 and part of the purpose of this report is to present this self-assessment to the panel for approval.**

**2.0 Recommendations**

**2.1 That the Audit and Risk Panel approve the proposed scope of the external review of AGRS.**

**2.2 That the Audit and Risk Panel approve the self-assessment review of the effectiveness of the internal audit service has been undertaken for 2016/17.**

**3.0 Main report**

**3.1 Key Issues**

**3.1.1 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:**

- 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**

**3.2.2 Regarding the fourth requirement, in practical terms, this means that the internal audit function in Belfast City Council must comply with Public Sector Internal Audit Standards (PSIAS) which came into effect across the UK public sector in April 2013. The PSIAS indicate that compliance reviews against the standards must include regular internal assessments and periodic external assessments, with the latter required at least once every 5 years. Further, locally, the Northern Ireland Audit Office (NIAO) has recommended that 'self-assessments' against these professional standards are undertaken annually and reported to the Audit Committee (which, in our case, would be the Audit and Risk Panel).**

**3.2 Independent review of AGRS**

**3.2.1 An independent, external assessment of AGRS is due in 2017. A specification has been drafted and will be issued to 4 independent firms who will be invited to submit a competitive quotation for the work. It is proposed that the Deputy Chief Executive and Director of Finance & Resources approves the**

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award of the work following evaluation of quotations.  
The proposed scope of the review is summarised below:

- Review of the extent to which AGRS complies with Public Sector Internal Audit Standards (PSIAS)
- Review of the Council's risk management arrangements.

**3.2.2** The review will consider both compliance with standards and, where appropriate, will make practical measures for improvement. The results of the review are expected to be reported through to the Panel at the December 2017 meeting.

**3.3** Self-Assessment 2016/17

**3.3.1** In years where external reviews do not take place, in line with the NIAO advice and to meet the requirements of PSIAS, we undertake a self-assessment of compliance with professional standards. The standards cover:

- Definition of internal auditing
- Code of ethics
- Attribute standards, including:
  - Purpose, authority and responsibility of internal audit
  - Independence and objectivity
  - Proficiency and due professional care
  - Quality assurance and improvement programme
- Performance standards
  - Managing internal audit activity
  - Nature of work
  - Engagement planning
  - Performing the engagement
  - Communicating results
  - Monitoring progress
  - Communication of acceptance of risks

**3.3.2** AGRS has completed a self-assessment against these standards using a detailed checklist (see Appendix A). Our overall conclusion is that the internal audit service is organisationally independent and has the processes / arrangements in place to conform to the standards. A small number of issues were noted from this review and are captured in the Appendix.

**4.0** Financial & Resource Implications

**4.1** None.

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**5.0 Equality or Good Relations Implications**

**5.1 None.”**

Following discussion, the Panel adopted the recommendations.

**Audit & Risk Panel Terms of Reference**

The Head of Audit, Governance and Risk Services (AGRS) advised the Panel that, in line with good practice, the agreed annual programme of business provided for an annual review of the purpose and terms of reference of the Audit and Risk Panel. He reported that the purpose and terms of reference of the Panel were important because they set out the role of the Panel in the context of the Council’s governance structures.

The Panel was reminded that the terms of reference had been updated in September 2016 to reflect an oversight role for the Panel in relation to performance management. The Head of AGRS also advised the Panel that, following feedback from the Northern Ireland Audit Office, minor updates had been proposed to refine the Panel’s role in respect of the performance improvement duty.

The Panel also considered the terms of reference of the Council’s Audit Assurance Board, which was chaired by the Chief Executive. The Head of AGRS reported to the Panel that the principal activity of the Board was to review and consider reports from internal and external audit from a top level management/Accounting Officer perspective, rather than a Member perspective. He explained to the Members that this enabled the Chief Executive and the Board to be assured, or otherwise, of current risk, control and governance arrangements and to consider any issues which required management priority or direction.

The Panel approved the Audit and Risk Panel’s purpose statement and terms of reference and noted the Audit Assurance Board’s terms of reference.

**Change of Meeting Date - September 2017**

The Audit and Risk Panel agreed that its quarterly meeting in September be moved from Tuesday, 5th to Tuesday, 12th September at 1.00p.m, with a pre-meeting at 12.45pm.

**Date of Next Meeting**

The Panel noted that the next meeting would take place on Tuesday, 13th June 2017. The Panel also agreed that, from that point on, the pre-meeting would commence at 12.45p.m with the full Panel meeting at 1.00p.m.

**Action Points for the next meeting**

A report on the planned maintenance of the Council’s assets would be submitted to the next meeting of the Panel.

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Chairperson