

## **Appendix 2**

### **Annual Governance Statement 2016/2017**

The Council's Annual Governance Statement (AGS) follows DfC accounts directions and where applicable, the factsheet on governance statements issued by the NIAO in 2013, and comprises the following sections:

- Scope of responsibility
- The purpose of the governance framework
- The governance framework
- Review of effectiveness
- Update on the significant governance issues that were declared at the year-end 2016
- Significant governance issues for the year-end 2017

#### **Scope of responsibility**

Belfast City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under Part 12 of the Local Government Act (Northern Ireland) 2014 to make arrangements for continuous improvement in the way in which its functions are exercised, having regard to a combination of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has prepared an Annual Governance Statement which is consistent with the principles of the new CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016 edition)*. This statement explains how the Council has complied with the code and also meets the requirements of the Local Government (Accounts and Audit) Regulations (Northern Ireland 2015) in relation to the publication of an annual governance statement.

#### **The purpose of the governance framework**

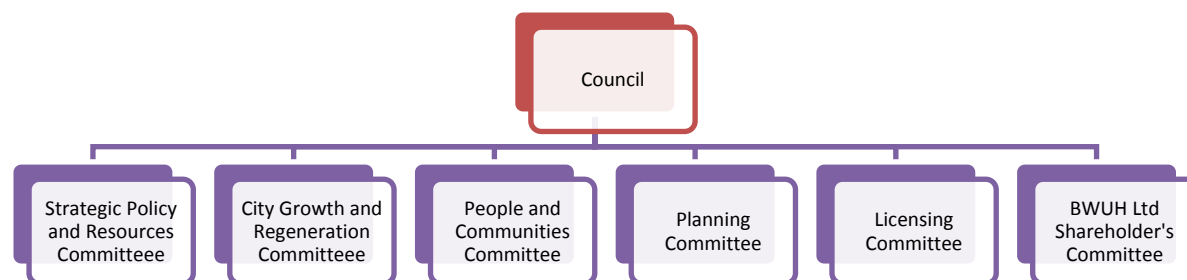
The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework continues to be place at Belfast City Council for the year ending 31<sup>st</sup> March 2017 and up to the date of approval of the Annual Governance Statement and statement of accounts. The following section sets out the key elements of the governance framework.

### The governance framework

Our committee structure, which is based on the full council and six standing committees is illustrated and described below.



Through the work of committees, our Members oversee the work of the council. All committee decisions need to be ratified by the full council except where committees have been granted delegated authority to make decisions.

The full council, which consists of all 60 elected representatives, is the overarching decision-making body.

The Strategic Policy and Resources Committee is responsible for setting the strategic direction of the Council through the development of its corporate plan and other key corporate and cross cutting strategies and policies. It will also ensure effective use of resources and value for money for ratepayers, and oversee the Council's relationship with a number of key agencies and partners.

The City Growth and Regeneration Committee is responsible for the development and implementation of strategies, policies, programmes and projects directed to the

regeneration and growth of the city in the context of the outcomes agreed in the community and corporate plans and other corporate strategy.

The People and Communities Committee is responsible for the development and implementation of strategies, policies, programmes and projects aimed at improving life at a local level in the context of the outcomes agreed in the community and corporate plans and other corporate strategy.

The Planning Committee is responsible for all of the Council's planning functions, except those matters which are delegated to officers or reserved to full Council.

The Licensing Committee is responsible for the consideration of all matters pertaining to policy and legislation in relation to licensing issues.

The Belfast Waterfront and Ulster Hall Ltd Shareholders' Committee is responsible for making the decisions required by the Shareholders' Agreement and ensure that the company complies with the contract for the operation of the venues.

In addition to the Committees listed in the diagrams above there are a number of Working Groups established which include the Audit & Risk Panel, the Budget and Transformation Panel and a number of Area Working Groups.

The Audit & Risk Panel provides an independent assurance on the adequacy of the Council's risk management framework and associated control environment. It provides an independent scrutiny of the Council's financial and non-financial performance, which is relied upon by the Council, to the extent that it exposes it to risk and weakens the control environment. The Audit & Risk Panel met four times during 2016/17.

The Council's Code of Governance is based on the seven core principles set out in the CIPFA/SOLACE Framework (2016 edition). How we meet these seven core principles is reviewed and updated annually and a summary of the key elements of our governance framework are set out in the table below:

### A: Behaving with integrity

- Shared values communicated via corporate plan, community plan and key strategies
- Codes of conduct for Members & staff
- PDP / appraisal process for Members & staff
- Gifts and hospitality and conflicts of interest policies & registers in place
- Fraud & whistleblowing policies and investigations
- Good Relations Unit / equality action plan
- Council constitution, standing orders & scheme of delegation
- Expert professional advice
- Partners and contractors required to comply with relevant policies

### B: Ensuring openness

- Council / committee meetings open to the public and agendas / minutes on website with a process in place for time bound restrictions
- Belfast Agenda developed via extensive consultation and engagement with public “Belfast Conversation” events as well as statutory and other key partners
- Statement of Community Involvement for production of the Local Development Plan
- Ongoing consultation and engagement with staff & trade unions
- Corporate communications
- Annual financial report and annual report to Equality Commission published on BCC website
- Partnership / legal agreements with GLL, Active Belfast, arc21, BWUH Ltd, Visit Belfast
- “Your Say” consultation hub on BCC website

### C: Defining outcomes

- Belfast Agenda outlines long term economic, social and environmental benefits
- Preferred Options Paper for the Local Development Plan sets out how strategic aims align to Belfast Agenda
- Corporate plan outlines the annual contribution to the Belfast Agenda
- City centre regeneration & investment strategy
- Organisational development strategy
- Physical Investment Programme
- Leisure transformation programme
- Grant funding processes
- Equality Impact Assessments

### D: Optimising the achievement of outcomes

- Corporate plan and departmental plans aligned to delivery of Belfast Agenda, with specific programmes of work assigned to Chief Officers
- Consultation and engagement processes
- Strategic financial management framework in place, including quarterly challenge process.
- Performance management framework
- Regular reports on progress of our performance improvement plan (corporate plan) to CMT and SP&R
- Risk management strategy & framework
- Commercial Panel aims to ensure that commercial activity places an emphasis on outcomes

#### E: Developing capacity & capability

- Organisational development strategy
- Benchmarking activity
- Efficiency programme
- Regular performance monitoring of the delivery of improvement objectives
- Learning and development policy
- Health and wellbeing strategy
- Appraisal scheme in place for Chief Officers, Heads of Service and Senior Managers
- PDPs for officers and Members
- Member capacity building plan in place for 2017/18
- Continuing Development Programme in place for the Planning Committee
- Party group briefings
- Commercial Panel to lead on the development of commercial skills

#### F: Finance, performance and risk management

- Strategic financial management framework in place
- Efficiency programme
- Performance management framework
- Corporate performance management (CorVu) system in place
- Risk management strategy
- Corporate risk management system (MKinsight) and processes / procedures in place
- Regular reporting of finance, risk & performance
- Audit and Risk Panel
- Internal audit function / annual internal audit strategy & plan in place
- Recommendations Monitor process
- Data protection policy and procedures

#### G: Transparency, reporting & effective accountability

- BCC website regularly updated
- Publication of key reports including the annual financial report; annual governance statement; performance improvement report and annual report to Equality Commission
- Committee support framework to approve papers prior to submission to Members
- AGRS (internal audit) annual assurance statement within the annual governance statement
- Internal Audit effectiveness annually reviewed against public sector internal audit standards, with an independent external review every five years
- Internal / external audit recommendations followed up as part of recommendations monitoring process every six months

The Deputy Chief Executive and Director of Finance and Resources is the Council's designated Chief Financial Officer under the Local Government Finance Act (Northern Ireland) 2011, responsible for the proper administration of the Council's financial affairs.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015).

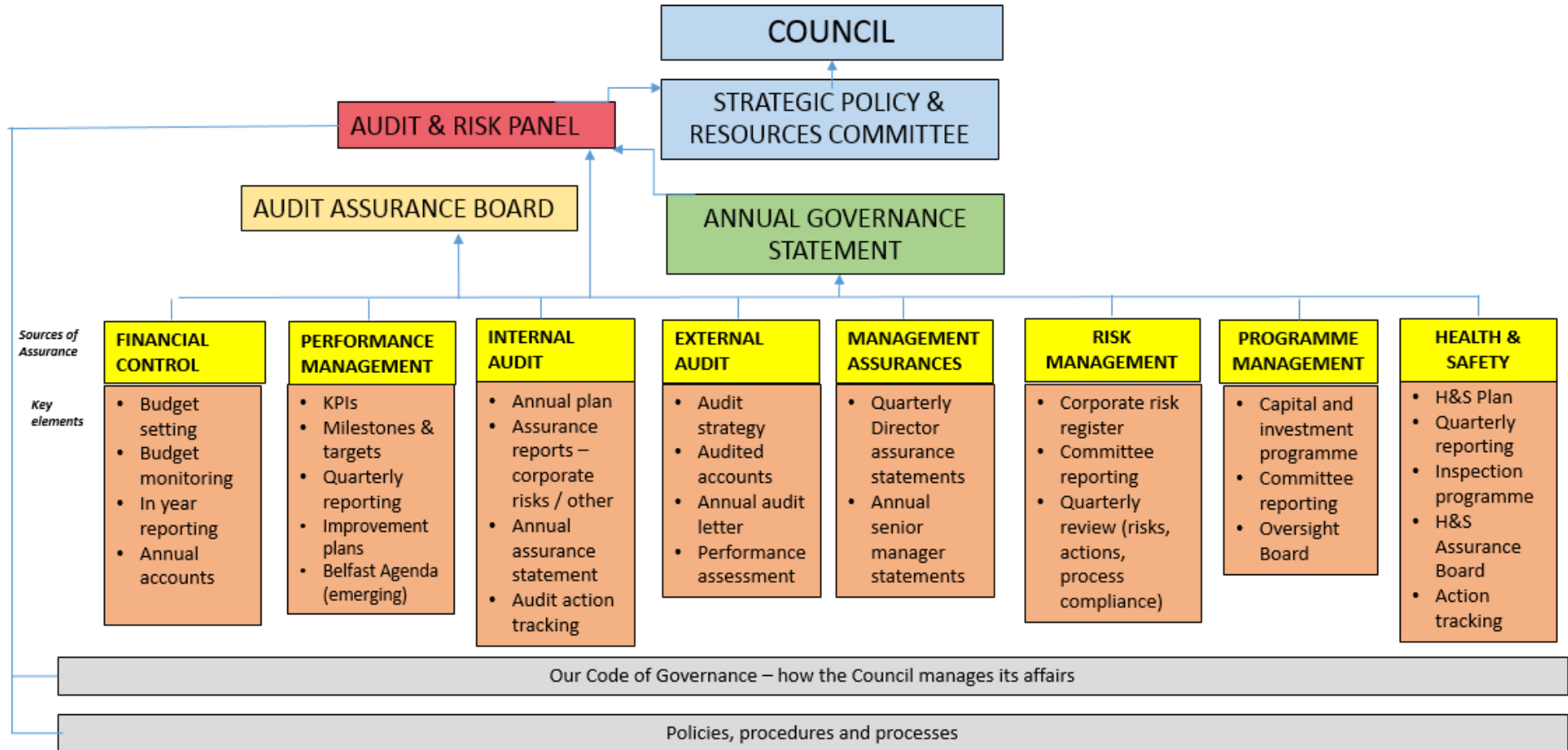
The CIPFA Statement on the Role of the Head of Internal Audit (2010) sets out the five principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit (HIA) in public service organisations and the organisational arrangements needed to support them.

The Head of AGRS, and the supporting operational arrangements in place, conform to the 5 principles set out in the CIPFA Statement. This is demonstrated through a self-assessment exercise undertaken by AGRS. While the principles state that the HIA should not be responsible for preparing the annual governance report, the arrangements within the Council, involve AGRS co-coordinating the preparation of the Annual Governance Statement which is then reviewed and approved by the Corporate Management Team, Assurance Board, Audit and Risk Panel before being signed by the Chair of Strategic Policy & Resources, the Chief Executive and the Deputy Chief Executive and Director of Finance and Resources.

### **Review of Effectiveness**

The following diagram illustrates the Assurance Framework in place that provides information on compliance with the various elements of the Council's Governance Framework, including performance reports, health and safety reports, finance reports, internal audit reports and risk management reports.

## Key Components of the Council's Assurance Framework





The various in year and year end reports arising from the Assurance Framework are reviewed and approved by the Audit and Risk Panel and Strategic Policy and Resources Committee annually.

In addition, the review of the effectiveness of the Governance Framework is also informed by:

- the annual review and update of the Code of Governance;
- comments or recommendations made by the external auditors during their annual audit; and
- the Head of Audit Governance and Risk Services (AGRS) annual assurance statement for the period ending 2016/17, which gives an opinion on the Council's risk and control environment.

An extract from the Head of AGRS Annual Assurance Statement for the period ending 2016/17 is given below:

*As Head of Audit, Governance and Risk Services (AGRS), on the basis of work carried out, I can provide a reasonable assurance regarding the adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion is based on the following:*

- *evidence from audit assignments that areas subject to detailed internal audit during 2016/17, in that AGRS has been able to provide positive statements of assurance with the majority of audits falling into the 'some improvement needed' category - the 2<sup>nd</sup> tier of assurance in the 4 tier model*
- *application of risk management and management assurance processes and our review of the management of key corporate risks*
- *the evidence set out in the review of the Council's Code of Governance and Annual Governance Statement regarding the range of key assurance and governance arrangements that the Council has in place to direct / oversee its activities.*

*Some weaknesses and areas for improvement have been identified through our audit work. These have been reported in detail to the Council's Assurance Board and Audit Panel during 2016/17 through quarterly progress reports. In addition, I have highlighted, where appropriate, where further action is required to implement agreed audit actions.*

*With regard to risk management, a fundamental review of corporate risks was undertaken by Chief Officers in 2015/16. This enabled production of a risk map / assessment and related action plans which reflected the Council's new responsibilities, key programmes of work as well as key 'business as usual' risks. During 2016/17 AGRS has undertaken independent reviews of the management of these key corporate risks. While these reviews have confirmed the focus of management on these key risks, our work has identified that further action will be required to implement risk action plans and reduce risk exposure to target levels.*

*I can confirm that the AGRS Service has conformed to Public Sector Internal Audit Standards during 2016/17. A quality assurance and improvement programme is in place including internal review of work, annual assessment against professional standards, quarterly progress and performance reporting to the Assurance Board and Audit & Risk Panel. An external review of AGRS is due in 2017.*

Continued effort has been put into developing and implementing the key elements of an assurance framework within the Council with the key elements being:

- a process whereby senior managers are required to sign annual assurance statements;
- a process whereby Directors are required to sign quarterly assurance statements;
- embedding risk management;
- business planning and related performance reporting arrangements;
- an Audit and Risk Panel;
- a professional internal audit function, which has been reviewed for effectiveness against the CIPFA Code of Practice for Internal Audit in Local Government; and
- a Health & Safety Assurance Board.

### **Update on the Significant Governance Issues that were declared at the year-end 2016**

7 issues were declared last year and 3 of these continue to be declared as issues in this year's statement, and management have provided a brief update on the work that was done last year to manage these issues. An update on the action that was taken regarding the remaining 4 issues that were declared last year, is provided below.

#### New delivery / operating models

The governance structures and reporting protocols between ABL, GLL and the Council have are now firmly established. A Partnership Manager has been in place since February 2016 and is now fully integrated into the contract and relationships management and performance reporting processes. While commercial challenges remain in relation to growing the business in a very competitive market, income and participation continues to rise steadily.

Regarding the operating model for the BWUH, governance structures and reporting arrangements were in place throughout 16/17 and are due to reviewed in 17/18 to ensure they are operating effectively.

#### City Centre Regeneration

During 16/17 we undertook the following actions to manage the risk:

- established a permanent team to deliver the strategy
- established a project review board
- developed initial City Centre Investment fund procedures and governance arrangements

#### Delivery of the Local Development Plan

There was ongoing work to secure additional resources and a local development plan steering group and a project management team were established to ensure appropriate consultation. A business plan linked to the agreed timetable setting out key dates and targets for the 16/17 period was in place, with regular performance management

monitoring. The Plan Timetable and Statement of Community Involvement were approved and adopted and the Preferred Options Paper (POP) was published on 26 January 2017 and was open for consultation until April 2017

#### Delivery of the Leisure Estates Programme

During 2016/2017 significant process was made including:

- Agreement on the facilities mixes for Robinson, Andersonstown and Brook and high level facilities mixes for Avoniel and Templemore
- Opening of the Olympia in January 2017 which saw over 350 new members signing up in the first month alone
- Mediation process settled in respect of the Robinson Centre. Demolition works commenced on site which are due to be completed by Summer 2017
- Planning approved for the new centres at Robinson and Brook in April 2017 with planning submitted for Andersonstown
- Appointment of the contractor for the build works for Andersonstown, Brook and Robinson under the biggest capital contract ever awarded by the Council
- £5m secured for the redevelopment of the Templemore Baths from the Heritage Lottery Fund (HLF)
- Stage 2 designs completed for Avoniel
- Robust governance in place for the leisure programme with a Leisure Transformation Board, Client Delivery Group and Capital Delivery Group with robust reporting and programme and project risk registers, issues logs etc.
- Establishment of a dedicated Physical Programme Management Office to co-ordinate all physical projects which will include the Leisure Programme
- Dedicated internal resources have been assigned including a Project Manager, Assistant Project Managers, Project Sponsors

#### **Significant Governance Issues for the year-end 2017**

The significant governance issues for 2016/17 were identified through the review of the red risks in the Corporate Risk Register for the year ending 31 March 2017, consideration of significant events / issues and also review of the Directors' Annual Assurance Statements.

The most significant issues for the Council are in relation to:

1. Agreement and delivery of the Community Plan / Belfast Agenda
2. Waste management
3. Organisation's Transformation Programme
4. Digital Information Security
5. External fraud
6. Procurement

A description of the significant governance issues listed above is detailed on the following pages.

## **1. Agreement and delivery of the Community Plan / Belfast Agenda**

This issue was raised in last year's AGS and during 16/17 we undertook the following actions to manage the risk:

- secured dedicated resources for the development of the Belfast Agenda
- established a Community Planning Partnership to support for the community planning process,
- undertook extensive consultation with key partners to develop the Belfast Agenda.

Currently staff are working through the comments received with a view to finalising the Belfast Agenda by September 2017. The main issue for 17/18 will be on delivery of the Belfast Agenda and the key actions to manage this are as follows:

- Establish appropriate governance structures
- Develop an action plan for year 1 priorities
- Agree and implement performance management arrangements, with reference to the agreed outcome framework
- Implement a reporting process
- Commission a city dashboard
- Continue to put resources in place in line with creation of strategic hub.

## **2. Waste management**

This issue was also raised in last year's AGS and during 16/17 we undertook the following actions to manage the risk:

- development of contingency arrangements in relation to residual waste treatment
- commissioning a value for money review of recycling centres
- extensive work to develop a strategic waste plan as well as ongoing contract monitoring reviews.

Concerns continue to exist corporately around mitigating the risk of managing Belfast's waste performance against targets affordably against market capacity issues (e.g. the fire at Wastebeater), increased rate of waste growth and legacy issues, which have coalesced to suppress the city's recycling rate to 40%. The strategic waste plan (the Waste Framework) proposes approaches to achieve the target and contribute to job creation, but it is dependent upon ongoing Member support.

## **3. Design and Delivery of the Organisation's Transformation Programme**

An issue regarding change management was raised in last year's AGS and during 16/17 we completed a number of corporate organisational design and development actions including

- Director of City Centre Regeneration recruited
- Waterfront and Ulster Hall staff transferred to new Council owned company;

- new Managing Director and board recruited
- 2 corporate VR tranches
- Overall organisational model agreed by committee.

The council's organisational development strategy was the first step in establishing a planned and systematic approach to organizational improvement and has delivered significant internal change to date. Eighteen months into this programme for change, it is now time for the council to develop the next phase of its transformation. The corporate risk has been refocused as follows "failure to design and deliver the organisation's transformation programme to ensure that the Council is fit to deliver the corporate plan and Belfast Agenda" and the key action to manage this risk will be the development and implementation of an integrated transformational programme.

#### **4. Digital Information Security**

The most significant issue relating to the services provided by Digital Services concern the security of our information assets. Digital Services uses its resources to deliver a securely designed infrastructure, continually improve the maturity of security processes and to ensure security controls are in place to detect threats to the ICT environment. The delivery of a secure ICT Infrastructure aligns security activities with business need in order to optimise security budgets and resources.

Delivering a secure infrastructure is a constantly evolving process and consideration must be given to changing threats and risks which must be aligned the delivery of the council's goals and objectives. A summary of the key actions is provided below:

- Regular penetration testing to determine external vulnerabilities
- Business Continuity Plan in place and regularly reviewed
- Robust change management controls
- Secure ICT Infrastructure in place
- Security contract with external security experts
- Key support & maintenance contracts with key suppliers
- Semi-automated process for managing moves, adds and changes fed from payroll system
- ICT Security Policy, Computer Use Policy, Password Policy, Removable media policy
- Template for response to a major security incident
- Maintain knowledge of advanced threats
- Review of security controls for Exchange Online
- Office 365 Online Protection
- During 2016/17 a specialist, independent audit of the Council's IT Infrastructure was undertaken and this has provided an assurance on our current arrangements. However, given the level of threat, continued action is required to manage related risks and an action plan is being developed to address recommendations arising from this review.

## 5. Procurement

At the year-end a new corporate risk was added to the corporate risk register regarding the risk of poor procurement practice in the Council which would affect the Council's ability to deliver its objectives, achieve value for money, opens the Council to legal challenge and results in reputational damage. The key actions to manage this are to be developed and agreed by the Risk Owner.

## 6. External fraud

The targeting of the Council's payment systems by criminals attempting to divert payments to fraudulent bank accounts, continues to be a major financial risk to the Council.

Following the fraudulent change of bank details to one of the council's main vendors in 2013, revised control procedures were implemented within the Central Transactions Unit (CTU). These procedures included enhanced checks, documentation and additional supervisory controls. The controls in place prevented two fraudulent attempts to change bank account details in the past month which, if successful, could have led to significant financial losses to the council. The details of both attempts have been passed to the PSNI, the NIAO and other local authorities.

The Finance Service is conscious that international crime gangs are likely to try different approaches to targeting financial systems and processes in attempts to breach standard controls. Management, and in particular the Central Transactions Unit, are therefore working with AGRS to not only ensure that existing controls are maintained but to try and identify new ways that fraud could be attempted and to ensure that the controls and checks in place are robust enough to prevent and detect such attempts if they occur.

**Signed:** .....

Chair Strategic Policy and Resources Committee

**Signed:** .....

Chief Executive Officer

**Signed:** .....

Chief Financial Officer