

Audit Panel

Tuesday, 16th September, 2014

MEETING OF AUDIT PANEL

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

In attendance: Mr. R. Cregan, Director of Finance and Resources;
Mrs. J. Minne, Director of Organisational Development;
Mr. M. McBride, Head of Finance and Performance;
Mr. A. Harrison, Acting Head of Audit, Governance
Risk Services;
Ms. C. O'Prey, Audit, Governance and Risk
Services Manager;
Mr. L. Mulholland, Acting Audit Governance and Risk
Services Manager;
Mr. R. Allen, Director, Northern Ireland Audit Office; and
Mr. H. Downey, Democratic Services Officer.

Minutes

The minutes of the meeting of 10th June were taken as read and signed as correct.

Declarations of Interest

No declarations of interest were reported.

Paid Precautionary Suspensions and Employee Relations Case Management

The Panel considered the undernoted report:

"1 Purpose of report

1.1 The purpose of this report is to detail the Council's current practices in respect of paid precautionary suspension (PPS), and to provide an update on ongoing work which is aimed at further monitoring and improving both the application of PPS and the management of employee relations cases.

2 Relevant Background Information

2.1 The number and duration of PPS within the council was discussed at the Audit Panel meeting on 10th June and it was agreed a report on PPS would be presented to its meeting on 16th September.

- 2.2 Council employees may be placed on PPS as part of the Council's agreed disciplinary process. PPS is to be applied in only very limited and potentially extremely serious circumstances, where it is determined that no alternative measure is appropriate. Such action must only be undertaken following consultation with a Senior HR advisor within the council's Employee Relations Unit.**
- 2.3 The need for timely, appropriate and consistent management of employee relations cases in particular those involving PPS has been brought to the attention of departments on a number of occasions. Given the need for continued scrutiny on this matter and to ensure that appropriate communication takes place a case management system and protocol were developed and implemented with effect from 1st January, 2013. The protocol for PPS has been circulated to the Panel. The case management system ensures close scrutiny of all disciplinary, grievance and unfair treatment cases by dedicated officers within Corporate HR, including monthly compliance meetings with all departments.**

3 Key Issues

- 3.1 Since 2007, an average of 5.75 FTE employees has been suspended each year, representing 0.21% of the Council's workforce. On average suspensions lasted 18.3 weeks, from the point when the allegations were identified, until the suspension was no longer considered necessary. There is currently one employee on PPS.**
- 3.2 Since 2007, in 82% of cases where an individual was placed on PPS, and following a disciplinary hearing, the employee was found to have committed an act of misconduct and issued with a disciplinary sanction, up to and including summary dismissal from the Council. 6% of those employees placed on PPS in this period also resigned while on PPS.**
- 3.3 The decision to place an employee on PPS is rare and must be objectively justified. Such action would be justified where it is considered that this is the only course of action possible to minimise potential risk to the organisation, for example due to potential disruption to an ongoing investigation or where there is risk to the council's property or responsibilities to other parties. With each potential case of gross misconduct the employing department is asked to consider viable alternatives to PPS such as removing certain duties while an investigation is ongoing, transferring the employee to another work location etc., to ensure that the risk of further misconduct is removed.**

Once an employee has been placed on PPS, the council disciplinary procedure requires that PPS is kept under review to ensure that the justification for suspension remains valid.

- 3.4** A detailed analysis of all suspensions since 2007 has been carried out which shows that the vast majority of extended timeframes can be attributed to the employee's inability to participate in the process due to ill health or the employee initiating a grievance during the process. As a large public sector employer with HR and legal resources, the Council is bound to ensure that issues arising during an investigation are dealt with appropriately. Notwithstanding this, the analysis has also shown that there is room for improvement in terms of tightening timeframes and more effective planning.
- 3.5** In order to ensure that tighter control is placed on all ongoing disciplinary, grievance and unfair treatment complaint cases, it is proposed that on a monthly basis, an update report is provided to each of the Council directors setting out:
- The number of disciplinary, grievance and unfair treatment complaint cases which have been ongoing for a period of 30 days or more in his/her department.
 - The number of employees placed on PPS in his/her Department.
 - The duration of these PPS cases
 - Non compliance with the case management system and associated protocol.

4 Resource Implications

4.1 Financial

Increases in absence levels will lead to increased costs, including the cost of providing cover through overtime, agency, the provision of Occupational Health and Employee Counselling services.

4.2 Human Resources

More resources are needed in terms of staff having to cover sickness absence. There is also an increase in the amount of time spent by management, human resources, Occupational Health and Employee Counselling in taking appropriate action to manage the absences.

5 Equality and Good Relations Considerations

- 5.1** There are no equality and good relations implications in this report."

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During discussion, a Member referred to that part of the protocol which stated that, in cases where Paid Precautionary Suspension had been lifted, the relevant Director would inform Elected Members and the Corporate Management Team of the outcome of the disciplinary process. He highlighted one instance where that requirement had not been met and referred also to the need to ensure that, where an investigating officer was due to be absent for a length of time, a replacement be appointed in order to expedite the investigative process.

In response, the Director of Organisational Development confirmed that the points which had been raised by the Member would be incorporated into the compliance checks and that Corporate HR would advise Departments of the need to ensure that the protocol was implemented in full.

After further discussion, the Panel noted the information which had been provided and that it would receive an update on the matter at its next quarterly meeting.

**Update on Implementation of Audit Recommendations –
PEACE III/Good Relations**

(Mrs. S. Toland, Lead Operations Officer/Head of Environmental Health, attended in connection with this item.)

The Partnership was reminded that, at its meeting on 10th June, it had agreed that a report be submitted to its next meeting on the progress which had been achieved regarding the implementation of nineteen recommendations arising from an internal audit of PEACE III/Good Relations. The audit had highlighted weaknesses within the control environment in those areas.

The Lead Operations Officer/Head of Environmental Health provided an overview of the recommendations and confirmed that twelve had now been implemented, five were in the process of being implemented and two were no longer applicable. She informed the Panel that the processing of small grants had transferred to the Council's Central Grants Unit over the course of the audit, which had contributed to the difficulties in implementing those recommendations, and outlined a number of measures which that Unit would be putting in place to ensure that any future audit recommendations were actioned.

Noted.

Update on Corporate Risk Management

The Panel considered the undernoted report:

“1 Relevant Background Information

The need to have effective risk management arrangements is a regulatory requirement placed on the Council and represents accepted good practice.

The main purpose of this report is to:

- a) advise the Audit Panel of the main issues arising from the review by Chief Officers of the corporate risks and to present the updated corporate risk register for the quarter end June 2014 for review and approval
- b) report to the Audit Panel on the operation of the related assurance processes.

2 Key Issues

Corporate Risk Review

The quarterly review of the corporate risks by Chief Officers and other key staff gave rise to the following main updates:

Local Government Reform

Key updates include:

- the use of a new reporting toolkit which has been developed by DOE, with reports submitted to the Department monthly (previous returns were bi-monthly)
- Corvu will no longer be used for quarterly reporting given the time-critical nature of Local Government Reform activities. As recommended by AGRS at the last corporate risk review, a new internal reporting regime is being rolled out which links with various schedules such as DOE monthly reporting dates, fortnightly Transition Management Team (TMT) meetings, fortnightly Programme Manager meetings, Infrastructure Group meetings etc.

The outstanding actions are being progressed, including the due diligence review to fully assess the implications of the transfer of functions to the Council. Recent central government budget allocation proposals are the basis for ongoing discussions with central government departments. It is imperative that all the functions are transferred on a rates neutral basis.

Management continue to plan for the effective transfer of Lagan Weir to the Council both to address requirements relating to specialist support and systems and to ensure that adequate funding is in place for the transfer.

Corporate Human Resources risk

The Director of Organisation Development has identified a new potential cause that could result in this corporate risk materialising, that is a failure to promptly identify and address the skills/resources gap in relation to the transition and operation of the new functions from 1st April, 2015. The Director has indicated that Corporate Human Resources is working with the transferring functions, the Programme Managers and the Chief Executive to analyse the current functions, analyse the current skills within the Council and to identify any gaps. The risk action plan will be updated to take account of the work that is being undertaken to manage this aspect of the corporate Human Resources risk.

Corporate Health and Safety risk

In 2012/2013 Quadra completed an independent review of the Council's health and safety management arrangements. In line with good practice, AGRS has now commissioned a follow-up review of the progress that has been made to implement these recommendations. This will enable AGRS to report to the Members and management on progress and outstanding issues. The review is scheduled to take place in November/December 2014.

Girdwood Project

The Director of Property and Projects has highlighted an emerging corporate risk around the Girdwood project related to a number of factors, such as the operational model for the community hub, likely transfer of land from DSD and other political, community, economic and security considerations which could affect the success of the project.

The Director of Property and Projects has confirmed that a risk workshop has been planned for this project. Following this, consideration should then be given to escalation of the risk to the corporate risk register.

Good Relations / Peace III

On 31st July, 2014, AGRS facilitated a comprehensive review and update of the operational risk registers for Good Relations and Peace III involving key members of staff from this Unit. The risk review took account of; the findings of the 'due diligence' review undertaken by AGRS of the financial position and control environment for all significant Good Relations / Peace III grants and projects; the findings of the internal audit

of Good Relations in addition to other risks identified by management including risks surrounding preparation for Peace IV funding. The risk registers are in the process of being updated to reflect the new risks and will be reviewed and updated at least quarterly in line with the corporate risk management strategy.

Corporate Risk Register

The updated corporate risk register has been forwarded to the Panel.

2.2 Assurance on the Management of Risk

Management Assurance

Each of the 15 risks in the corporate risk register has a Risk Owner who is responsible for ensuring that the risk is managed effectively and evidenced as such in the risk action plan.

Management are 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. An assurance statement confirming that risks have been reviewed and are being managed is completed quarterly by each Chief Officer.

AGRS can confirm that, for the quarter ending June 2014, all Chief Officers have signed their Quarterly Assurance Statements, confirming that the corporate, departmental and operational risk registers and action plans have been reviewed and updated.

Independent Assurance

In the Annual Governance Statement for y/e March 2014, 7 significant issues were declared, 4 of which related to corporate risks – see table below:

Risk Owner	Corporate Risk
Director of Finance and Resources and Deputy Chief Executive	<ul style="list-style-type: none">▪ Meeting the challenges presented by Local Government Reform▪ Failure to sustain and enhance the rate base and manage the rate setting process for the Shadow Council

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<p>Director of Development (up to agreement of letters of offer) and the Director of Property & Projects (following agreement of letters of offer)</p>	<ul style="list-style-type: none"> ▪ Failure to attract EU / other external funding and manage and deliver designated capital projects within deadlines and in compliance with funding requirements
<p>Director of Parks and Leisure</p>	<ul style="list-style-type: none"> ▪ Delivery of the Leisure Transformation Programme

In order to receive assurance on the management of the above corporate risks, AGRS will undertake mid-year reviews during October, 2014. The timetable for the risk reviews has been circulated to the Panel. In order to meet the reporting deadlines, it is important that the Risk Owners and Risk Updaters review the risk action plans by 1st October, 2014. The timeframe for the risk reviews was communicated to Directors at the last round of quarterly risk and audit update meetings. The results of the risk reviews will be reported to the December meetings of the Audit Panel and Audit Panel.

Project Risk Management

The Director of Property and Projects confirmed that the risk registers and action plans for the 12 ‘high risk’ projects have been updated for the quarter ending June, 2014.

Aside from the Girdwood project set out earlier in this report, the Director of Property and Projects did not consider it necessary to escalate any specific project risks for consideration for inclusion in the Corporate Risk Register.

2.3 Transferring Functions

AGRS is in the process of undertaking initial reviews of key functions that are transferring to the Council. This will allow AGRS, to gain an understanding of the functions being transferred in terms of the key processes, key systems, implementation plans, resources, risks and issues. On the basis of our understanding of these new functions, AGRS will determine the appropriate type and extent of AGRS consulting and / or assurance work that should be undertaken during the remainder of 14/15. Potential types of work include working with relevant staff to develop the operational risk registers for the new functions.

2.4 MK insight – Risk Management module

The MK insight Risk Management module is being used by the following departments:

- Finance and Resources
- Chief Executive's
- Property and Projects
- Health and Environmental Services

The system is being rolled out to the remaining 2 departments; Development and the Parks section of the Parks and Leisure Department. Training for relevant departmental staff is scheduled for September / October 2014.

2.5 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.

In order to encourage the timely planning and delivery of the business continuity exercise for 14-15, AGRS asked all critical services to plan and agree their business continuity exercise for 14-15, by 31 July 2014.

As at end August 2014, 10 of the 15 critical services have submitted 'BC Exercise Planning' reports. At the recent round of quarterly meetings with directors, the Acting Head of AGRS reminded Directors of the need to ensure that the exercises are planned well in advance.

3 Resource Implications

Financial
None

Human Resources
None

Asset and Other Implications
None

4 Equality Implications

None

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5 Recommendation

The Audit Panel is requested to note the updated corporate risk register for the quarter ending June, 2014.”

During discussion, the Director of Finance and Resources drew the Panel's attention to a potential risk relating to a number of significant projects which were being funded under the European Regional Development Fund. He explained that there had been a delay in issuing Letters of Offer for those projects, however, the deadline for their completion had not been amended accordingly. He confirmed that a report providing further details on that issue would be submitted to the meeting of the Shadow Strategic Policy and Resources Committee which was scheduled to take place on 26th September.

The Panel noted the information which had been provided.

Audit, Governance and Risk Services Progress Report

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

The Acting Audit, Governance and Risk Services Manager confirmed that audits would be finalised in the near future in relation to the management of waste disposal contracts, the 2015 Tall Ships event, Payroll, Tourism, Culture, Heritage and Arts, Visit Belfast, the Local Government Finance Act (Northern Ireland) 2011 and arc21 (contracts, planning and control). Audits had commenced also in respect of the Policing and Community Safety Partnerships and arc21 (haulage and landfill). In addition, Audit, Governance and Risk Services had, in consultation with the relevant officers, undertaken an initial review around the potential audit implications arising from the transfer, under Local Government Reform, of a range of functions to the Council. It was anticipated that the outcome of that review would inform the work which Audit, Governance and Risk Services would be undertaking in the remainder of 2014/2015, in addition to developing the Audit, Governance and Risk Services Audit Strategy and Plan for 2015/2016.

He informed the Panel that Audit, Governance and Risk Services was overseeing currently quotation exercises for the provision of financial audits in relation to Accounts Payable, Accounts Receivable and Treasury Management and that a similar exercise had been initiated for the appointment of a contractor to undertake an audit of the Council's Capital Programme. In terms of other work, he confirmed that the implementation and roll-out of the MK Insight system for action tracking, risk management and audit management was progressing and that Audit, Governance and Risk Services was liaising with the Digital Services and Corporate Communications sections in preparation for the next National Fraud Initiative data matching exercise. He provided details also around the investigative work which was being undertaken by Audit, Governance and Risk Services and pointed out that the Service, in conjunction with the Corporate HR and Legal Services sections, had, in August, facilitated two

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workshops for senior managers within the Parks and Leisure Department on whistleblowing.

During discussion, the Director of Finance and Resources informed the Panel that the Shadow Strategic Policy and Resources Committee would, over the coming months, consider the future governance arrangements for the Council, including Committee structures. He suggested that it would be beneficial for a workshop to be organised in November for the Audit Panel to enable its Members to give consideration to the role which the Panel might play within those arrangements.

The Panel noted the information which had been provided and endorsed the holding of the workshop.

Update on Corporate Health and Safety

(Ms. E. Eaton, Corporate Health and Safety Manager, attended in connection with this item.)

The Corporate Health and Safety Manager provided the Panel with an update on the corporate health and safety performance and associated activities for the first quarter of 2014/2015. She confirmed that 102 accidents had been reported over the course of the quarter, which had been an increase of four on the previous three months, the majority of which could be attributed to lifting/carrying in the case of employees and to slips/trips/falls for non-employees. The number of accidents categorised under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations had risen by five from the previous quarter. Those had been reviewed on 15th September by the Corporate Health and Safety Committee, which had confirmed that no trend existed in relation to the accidents.

She explained that a consultant had been commissioned to support the Council in its development of appropriate assurance reports to enhance the work of the Audit Panel and the Health and Safety Assurance Board, the outcome of which would be communicated to the Panel in due course. In addition, a training session would take place on 22nd September for the Health and Safety Assurance Board and senior managers in order to highlight their roles and responsibilities under the revised Health and Safety Policy and Health and Safety Responsibilities Code of Practice.

After discussion, during which the Corporate Health and Safety Manager undertook to submit to the next quarterly meeting information on the arrangements in place currently for providing first-aid to employees and members of the public at Council facilities, the Panel noted the information which had been provided.

Northern Ireland Audit Office Report on the National Fraud Initiative

The Panel noted the contents of a report which had been compiled by the Northern Ireland Audit Office on the outcome of a National Fraud Initiative which had been undertaken by over one hundred public sector bodies across Northern Ireland.

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Audit Recommendations Monitor

The Panel was reminded that its Terms of Reference included provision to consider reports from Audit, Governance and Risk Services on agreed recommendations which had not been implemented within a reasonable timescale.

The Acting Head of Audit, Governance and Risk Services reported that Audit, Governance and Risk Services undertook, on a twice yearly basis, a monitoring and validation exercise to determine the progress of actions arising from those recommendations, the latest of which had been conducted in July. He explained that, following the completion of that exercise, 80 of the 229 outstanding actions had been closed and provided details of areas across the Council where significant progress had been made. He highlighted also a number of areas where further work was required to implement fully outstanding actions, including overtime working, facilities management agreements and the use of consultants, and stated that a report in that regard would be presented to the Corporate Management Team for its consideration.

Noted.

Employee Costs

The Head of Finance and Performance submitted for the Panel's consideration a report which provided an overview, on a corporate and departmental basis, of staffing, overtime and agency costs for the first quarter of 2014/2015. He reported that staff costs had accounted for £21,875,604 over that period, which represented an overall underspend of £328,985 (1.48%) of the annual budget. Overtime costs and agency costs had accounted for £1,110,501 (5.08%) and £824,528 (3.77%) of total employee costs, respectively.

The Panel noted the information which had been provided.

Absence Report

The Director of Organisational Development drew to the Panel's attention a report providing information in respect of the absence figures for the first quarter of 2014/2015. She reported that sickness absence per employee for that period had been 2.65 days, which represented an increase of 0.73 days on the same quarter in the previous year. On that basis, the Council would not meet its agreed target of 10 days for the current year. She pointed out that the number of absences which had been classified as long term (20 days or more) during the quarter had been 65%, as opposed to 59.2% for the corresponding quarter in 2013/2014. Furthermore, there had been an increase in the number of staff with recorded absence, viz., 21.1%, compared to 18.6% in the same quarter in the previous year.

She reviewed the sickness absence figures for each of the Council Departments for the quarter and highlighted the actions in place in those Departments which were at risk of not meeting their target figure for 2014/2015. She pointed out that agreement had been reached with the Trades Union on the revised Attendance Policy and

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Guidelines and that over three hundred employees had requested the flu vaccination, which would be administered in the autumn.

The Panel noted the information which had been provided.

Annual Accounts 2013/2014

Mr. R. Allen informed the Panel that the annual audit of the Council's financial accounts for 2013/2014 was nearing completion and that a draft Report to those Charged with Governance would be issued shortly thereafter.

Accordingly, the Panel agreed that a special meeting be held at 1 p.m. on Tuesday, 21st October in order to consider the draft report.

Chairman