

At a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the CIVIC CENTRE on FRIDAY 25 MARCH 2011

Present: -

Mr G N Cook in the Chair

Councillors M Forbes, Rolph and Mr J P Paterson.

Declarations of Interest

The following Councillor declared a personal interest in the report listed below for the reason indicated: -

Item 6 – Audit Commission Audit Plan 2010/2011	Councillor Rolph	Member of the LGPS
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Apologies for Absence

Apologies for absence were received from Councillor Tate.

Minutes

33. RESOLVED that the minutes of the meeting of the Committee held on 11 February 2011 be confirmed and signed as a correct record.

Internal Audit and Counter Fraud Plan 2011/2012

The Head of Audit, Risk and Procurement submitted a report presenting the proposed Internal Audit and Counter Fraud Operational Plan for 2011/2012.

The plan covers Internal Audit's key performance measures and outlines the proposed internal audit work for the Council and associated bodies for which the Council has lead responsibility. The service had been reviewed during 2010/2011 and this had resulted in the Internal Audit service and the Benefits Investigation Unit being merged to form a new Internal Audit and Counter Fraud Unit. Through this review and other streamlining activities, it had been possible to reduce the cost of the service, whilst continuing to fulfil the required role.

Internal audit work is designed to cover the key risk areas of the organisation over a period of years and key financial and non-financial systems were programmed for audits over a five year period.

The report outlined the planned allocation of resources for 2011/2012 and it was highlighted that there would be 100 planned audits during the year. As the Council would experience an increased level of change throughout the next year, the planned work would be kept under review in order to respond to those changes.

The Chairman queried what the scale of the housing benefit investigation would be and if the investigations were likely to identify a significant amount of fraud. The Head of Audit, Risk and Procurement advised that there were more than 40,000 claimants in the city and Internal Audit were expected to investigate data matches and whistle blowing reports. Data matching from the Department of Work and Pensions (DWP) was filtered and the high risk payments passed to the fraud team. Specific actions, including cautions, financial penalties and prosecutions had been taken against 60 people.

Councillor Rolph made reference to increased working from home and asked what implications this would have for the audit process. The Head of Audit, Risk and Procurement reported that this gave rise to a different set of issues for consideration and different risks to assess.

With regard to joint services, it was clarified that Sunderland would do the work if they were the lead authority and if they were not then a third party assurance would be received from the Head of Internal Audit at the relevant authority. This had been the case regarding the monitoring of the PFI contract for Waste Management.

Councillor Rolph enquired if the audit for social care would include the forthcoming transfer of care homes for complex social and emotional needs from one provider to another. The Head of Audit, Risk and Procurement advised that the audit within the plan had related to the Health, Housing and Adult Services review of adult care not the specific issue raised by Councillor Rolph. However he would look into the matter raised and see whether any work was required.

In response to a query from Mr Paterson regarding audits 'where the service is no longer provided', the Head of Audit, Risk and Procurement gave a potential example as the closure of a specific establishment, for example, a leisure centre.

The Chairman commented that due to the major changes going on, the operational plan would be subject to change and the Committee would need to monitor this. The Executive Director of Commercial and Corporate Services acknowledged that the plan was set against a background of fundamental change and Internal Audit would be very important during this time to provide assurances during periods of significant change. Their role was not just in relation to internal control but also to help reshape services using their

systems and controls expertise. It was proposed that an update on the authority's change agenda be brought to a future meeting of the Committee.

Following discussion, it was: -

34. RESOLVED that the Internal Audit and Counter Fraud Operational Plan for 2011/2012 be noted.

Risk Management Plan 2011/2012

The Executive Director of Corporate and Commercial Services presented the Risk Management Plan 2011/2012 to the Committee and advised that the plan was centred around the following three objectives: -

- Ensure there is an effective corporate risk profiling process in place to identify, assess, manage, review and report in strategic and corporate risks and opportunities.
- Facilitate the Council to successfully identify, assess, manage, review and report on risks and opportunities at a service/operational, programme, project and partnership level.
- Embed the effective management of risk into the culture, ethos, policies and practices of the Council.

The areas of activity and the planned number of days work were outlined within the plan and it was highlighted that whilst the plan sets out how the Corporate Risk Management team would intend to fulfil its role within 2011/2012, the plan would potentially be varied due to the level of change occurring within the Authority and the establishment of the Commercial and Corporate Services Directorate. There would be a tighter synergy between risk management and internal audit in future and the Committee would receive regular reports on risk management issues.

Councillor Rolph asked for further explanation on the project area called 'Re-engineering the Retained Organisation'. The Executive Director of Commercial and Corporate Services advised that the Council was currently working to bring strategic and support services together at the centre of the organisation and the 'retained' organisation would be everything that remained with Service Directorates. It was a complex situation as it was not always around posts and individuals but sometimes specific elements of an employee's role.

The Chairman suggested that it would be helpful to have an update on areas which would be coming to the Committee in the future.

Having considered the report, it was: -

35. RESOLVED that the Risk Management Plan be approved.

Audit Commission Audit Plan 2010/2011

The Executive Director of Commercial and Corporate Services introduced the Audit Commission's Audit Plan which notifies the Council of the work which the Commission is proposing to undertake in respect of the Audit of the financial statements and Value for Money conclusion for 2010/2011.

Gavin Barker, Senior Audit Manager, Audit Commission, outlined the main features of the plan for the delivery of the 2010/2011 audit and stated that it was based on the Audit Commission's risk-based approach to audit planning. The plan reflects: -

- audit work specified by the Audit Commission for 2010/2011;
- current national risks relevant to local circumstances; and
- local risks.

The audit fee was £332,522, which was lower than the scale fee for Sunderland City Council. The Audit Commission had also issued a rebate in respect of audit fees relating to the first year of implementation of International Financial Reporting Standards (IFRS) and Sunderland had received a rebate of £20,922.

Work was well underway with the 2010/2011 audit and the main risk areas had been identified as the implementation of the IFRS, liabilities in respect of equal pay and the valuation of Newcastle International Airport.

As part of the work on financial statements, the Commission would carry out detailed testing on figures but would also look at the operation of internal control and governance arrangements and how they underpinned the statements.

The Audit Commission would examine the principles being adopted in preparation for the IFRS and hoped to add value and make the process as straightforward as possible. There was value in adopting the new standards and it had been observed that officers had already done a large amount of work towards meeting the minimum standards. There were no problems envisaged with this part of the audit.

The Audit Commission were required to give a statutory Value for Money conclusion based on two criteria relating to arrangements for:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

Gavin Barker indicated that he would look at the Council's delivery of savings and take an overview of the changes being made by the Council. The Commission's view was that the Council was well placed to meet the challenges ahead.

With regard to the status of the Audit Commission itself, Gavin informed the Committee that the Commission had reduced in size but there was not a great deal of clarity regarding its future. It was understood that a Parliamentary Select Committee was looking into it and it was expected that the Department for Communities and Local Government would circulate a consultation paper on the future of audit and inspection. This would be an important consultation for the Council to respond to.

Councillor Rolph noted that there was no allowance within the fee for questions or objections by local government electors and Gavin stated that this would depend on the extent of what had been raised with the Commission. The outstanding objections to the Accounts of the previous two years were still not concluded.

Councillor Forbes highlighted that the areas of risk were not different from 2009/2010, although some changes had been discussed. Gavin advised that the newer risks would not have an impact until the audit for 2011/2012. There was less clarity about what would happen over the next twelve months and the risks could be in a fluid state for some time.

Accordingly the Committee: -

36. RESOLVED that the content of the report and the reduced audit fees for work undertaken in 2010/2011 be noted.

Forward Plan of Reports for 2011/2012

The Executive Director of Commercial and Corporate Services submitted a report presenting the proposed Forward Plan of reports for 2011/2012.

The Committee were informed that there were likely to be additional reports on risk management issues and further changes as issues developed throughout the year.

It was: -

37. RESOLVED that the Forward Plan of reports for 2011/2012 be approved.

(Signed) G N COOK
Chairman

