

## AUDIT AND GOVERNANCE COMMITTEE

### AGENDA

**Meeting to be held in the Civic Centre (Committee Room No. 1) on Friday 27 March 2015 at 1.30pm**

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1. Receipt of Declarations of Interest (if any)	
2. Apologies	
3. <b>Minutes of the Meeting of the Committee held on 6 February 2015</b>	1
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Report of the Head of Assurance, Procurement and Projects (copy attached).	
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For further information and assistance, please contact:

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9. **External Auditor – Audit Progress Report**

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Report of the Director of Finance (copy attached).

ELAINE WAUGH  
Head of Law and Governance

Civic Centre, Sunderland  
18 March 2015

**AUDIT AND GOVERNANCE COMMITTEE**  
**Friday 6 February 2015**

**Present:**

Mr G N Cook

Councillors Farthing, T Wright and Mr M Knowles.

**In Attendance:**

Dennis Napier (Assistant Head of Financial Resources), Tracy Davis (Audit, Risk and Assurance Manager), Mark Kirkham (Mazars), Gavin Barker (Mazars) and Gillian Kelly (Principal Governance Services Officer).

**Declarations of Interest**

There were no declarations of interest.

**Apologies for Absence**

Apologies for absence were received from Councillors Speding and N Wright.

**Minutes**

28. RESOLVED that the minutes of the meeting of the Committee held on 12 December 2014 be confirmed and signed by the Chair as a correct record.

**External Auditor – Audit Progress Report**

The Director of Finance submitted a report presenting the external auditors' regular Audit Progress Report covering the period up to February 2015.

Gavin Barker reported that Mazars had completed all 2013/2014 audit work, including work on section 256 agreements and on the Port of Sunderland accounts, and were now planning the 2014/2015 audit with the Audit Strategy Memorandum due to be presented to the Committee on 27 March 2015.

Gavin referred to the briefings on fraud from the Audit Commission and National Fraud Initiative (NFI) and which were attached as appendices to the report and would be the subject of a separate item on the agenda. These briefings provided

statistics on identified fraud in Sunderland City Council in comparison to other metropolitan districts and CIPFA nearest neighbours but did not reflect how well the authority was doing and there was a need for Members to more fully understand the arrangements which were in place.

The Chair highlighted the section on 'Questions for Elected Members and Decision Makers' and queried if the Authority was taking advantage of NFI pilot exercises and use of the NFI Flexible Data Matching Service. The Audit, Risk and Assurance Manager advised that the Council did take part in data matching exercises with other organisations as well as the NFI and compared these with the NFI results. The Council also engaged other companies to carry out exercises to identify things such as duplicate payments and it was hoped to make use of the developing Intelligence Hub to bring information in from many different sources.

Councillor T Wright asked about the current position with regard to finalising the Accounts at an earlier stage and Gavin advised that this was to come into effect for the 2017/2018 accounts and that Mazars would undertake planning with the Assistant Head of Financial Resources and his team in order to manage this change.

Having considered the report, it was: -

29. RESOLVED that the Audit Progress Report be noted.

### **Fraud Briefing for Sunderland City Council**

Gavin Barker, Senior Engagement Manager for Mazars and Tracy Davis, Audit, Risk and Assurance Manager delivered a presentation on fraud and law regulations and the arrangements within the Council for preventing fraud and corruption.

The primary responsibility for preventing and detecting fraud and ensuring compliance with laws and regulation rests with management and those charged with governance. There was a wide ranging framework in place to govern this and protecting and detecting fraud was all about good governance.

Gavin summarised the requirements placed on the Council by the Accounts and Audit Regulations 2011 including having in place an internal control system which would enable the prevention and detection of fraud. Under general statute, the provisions of the Fraud Act 2006 and the Bribery Act 2010 were also part of these arrangements. From a financial reporting point of view, the Audit and Governance Committee also had a strong interest in financial statements providing a true and fair view and to support this they needed to be audited in line with professional standards.

Members' attention was drawn to the responsibilities of those charged with governance in relation to prevention and detection of fraud, the compliance with laws and regulations and also the auditor's responsibilities in this area.

Tracy Davis outlined the approach of Internal Audit to tackling fraud and highlighted that this was set out in the Counter Fraud Strategy 2012. The Council had taken a

'zero tolerance' approach to fraud and had many arrangements to deal with this including the Anti-Fraud and Corruption Policy Statement, Whistle Blowing Policy Statement and arrangements for Anti Money Laundering and Bribery Act.

Tracy advised that the Council's Fraud Risk Assessment covered all systems with an inherent risk of fraud mapped against the key risk areas in the Corporate Assurance Map and the fraud risks for each system were then scored for likelihood and impact. There was an auditor within the team dedicated to counter fraud work and tests were undertaken as set out in the risk assessment. Internal Audit would investigate all allegations of fraud, irregularity and corruption and would work closely with Human Resources and the Police, where appropriate. Any weaknesses in systems would be identified and recommendations made to improve controls.

The Committee were provided with an example of how fraud investigation worked in practice in relation to a case where the Insurance team had raised suspicions about a large number of claims from a similar source and a link was found between a group of people who had submitted claims. More evidence was requested than usual and when the case went to court, the claimant admitted that the claim was fraudulent and the individuals running the fraudulent claim company were arrested.

Tracy highlighted that there had also been some cases involving the awarding of contracts and a small number from schools and care homes. In some cases, bribery could have taken place outside of work and the whistle blowing process was relied on to provide information in these cases. It was acknowledged that the risk of fraud could increase when the Council was in the difficult financial position which it was at the current time.

The external auditors were satisfied that the Council had arrangements in place to prevent and detect fraud and corruption and highlighted that Sunderland had detected 2,302 cases in 2013/2014 which represented a value of £1,774,143. This was well above the average for other Metropolitan District Councils which stood at 522 cases, valued at £835,654.

The objective of the external auditor was to identify material fraud and they carried out a fraud risk assessment which aimed to identify and assess the risk of material misstatement due to fraud. Gavin highlighted that Mazars' assessment of Sunderland City Council in relation to fraud risk factors was that there was low risk of material fraud. Auditing standards required 'management override of controls' and 'risk of fraud in revenue recognition' to be considered as 'significant' risks but there were robust audit procedures in place to address these risks.

The Chair asked if the audit procedures to test significant risks mirrored that type of random testing which was carried out by Internal Audit. Gavin stated that there were similarities in the approach, but materiality was always kept in mind and the work would be reported in the Audit Completion report.

Mr Knowles welcomed the comprehensive and thorough presentation and asked if there was anything more which the Committee should be doing to fulfil their responsibilities in being charged with governance.

Gavin said that this was a good question to consider. In his view, the Committee considered a number of ongoing issues and was robust in its approach, but it was always worth revisiting this regularly.

Councillor Farthing highlighted that an area which was always open to fraud was payroll and asked about how the system would be protected given that there were shortly to be huge changes to the pay arrangements for Council employees.

Tracy advised that payroll testing always included checking that staff were being paid on the correct grade and that enhancements were accurate and that work was being done to ensure that the changes were well managed and controlled. Officers were looking at the testing strategy for how payroll would deal with the changes required as a result of the Workforce Transformation project and a lot of work would be carried out between now and April and beyond the implementation date. It was noted that there could be genuine errors as well as fraud in these circumstances and everything possible would be done to mitigate this.

Having thanked Gavin and Tracy for their presentation, the Committee: -

30. RESOLVED that the information be noted.

### **Treasury Management Policy and Strategy 2015/2016, including Prudential 'Treasury Management' Indicators for 2015/2016 to 2017/2018**

The Director of Finance submitted a report informing the Committee of the Treasury Management Policy and Strategy (including both borrowing and investment strategies) proposed for 2015/2016. The report also presented the Prudential 'Treasury Management' Indicators for 2015/2016 to 2017/2018 and asked the Committee to provide comments to the Cabinet and Council on the proposed policy and indicators where appropriate.

The Assistant Head of Financial Resources stated that the Council was required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential Indicators (including specific Treasury Management Indicators) for the next three years to ensure that the Council's capital investment plans were affordable, prudent and sustainable. The Council was also required to adopt a Treasury Management Policy and to set out a Treasury Management Strategy which comprised the Council's strategy for borrowing and the Council's strategy and policy for managing its investments.

Members were directed to Appendix 2 of the report, the Treasury Management Policy Statement, which set out the Borrowing and Investment Strategies. The Assistant Head of Financial Resources stated that the Council's average rate of borrowing at 3.35% was low in comparison with other local authorities and the rate of return on investments of 0.76% was significantly higher than the benchmark rate of 0.35%. The policy for 2014/2015 had been quite successful and had maintained the continued good performance of the Authority's Treasury Management function.

With regard to Treasury Management Indicators, the Assistant Head of Financial Resources stated that these would ensure that the funds invested provided sufficient cash flow. The Council had set an affordable Borrowing Strategy whilst still having an ambitious Capital Programme and had a responsibility to borrow at the lowest possible rates. The Authority adopted a careful and prudent approach where the prime consideration was the security of the capital funds invested and did not take unnecessary risks. This approach would be maintained in 2015/2016.

Members' attention was drawn to authorised limit and operational boundary for external debt which for 2015/2016 would be set at £454.227m and £360.045m respectively. Mr Knowles asked why there was a large difference between the two figures and the Assistant Head of Financial Resources explained that the operational boundary acted as a warning indicator as the Authorised limit should never be breached, as this was a legal requirement to ensure that borrowing did not exceed the calculated maximum level required by the Authority in any one year. This ensured the level of borrowing by the Authority was effectively capped and the Authorised limit was based on the Council's capital programme borrowing requirements and cash flows in a worst case scenario. In practice action would be taken to resolve any situations where the operational limit could be breached. These limits were an example of the prudent policy adopted by the Council which was well considered and monitored daily to ensure that the limits were appropriate and were being observed.

The Assistant Head of Financial Resources highlighted the more detailed analysis underlying the whole policy within the Treasury Management Strategy Statement for 2015/2016 at Appendix 3. He referred to the table of average PWLB loan rates on page 47 and advised that the Council monitored this and tried to get in at the lowest possible rate. The rate for 50 year lending had dropped further from 2.99% to 2.82% since the report had been published. The Committee were informed that the Council had taken £10m out at 2.84% and would take small chunks of money when there was a trough in the borrowing rates. For information, in 2015/2016 the Council had a potential borrowing requirement of £65m.

The Assistant Head of Financial Resources also explained the new 'bail-in' arrangements that had been referred to in previous reports and the fact that under the new arrangements, risk of financial failure of financial institutions rested with investors and that government support or guarantees were diminishing, and would be removed altogether by January 2016. In fact, one rating agency had already downgraded UK institutions earlier than expected because of this additional risk. This had the effect of downgrading all UK financial institutions' credit ratings. However, UK based banks were taking actions to strengthen their balance sheets in order to be able to cope with a future credit crunch scenario so that investors were provided with appropriate assurance of holding funds with them. In the light of this, the Council's Lending List Criteria had been amended to reflect the changes caused by the 'bail in' arrangements. Recent stringent stress testing carried out by the banks had also revealed that most passed these tests and were improving their positions in this regard. As a consequence, the Authority's Criteria was amended to reflect both the downgrade and also the assurance from the stress testing carried out.

There were no major changes being proposed to the overall Treasury Management Strategy in 2015/2016 and particular areas which would inform the strategy included the extent of potential borrowing included in the Council's capital programme, the availability of borrowing and the current and forecast world and UK economic positions.

Appendix 5 to the report presented an update on the global situation and underlined some potential threats moving forward and the position and possible risks would continue to be monitored.

The Lending List Criteria and approved Lending List were also set out at Appendices 6 and 7 of the report. The reduction referred to in the credit ratings of UK institutions had been reflected within the criteria and lending list and in the level of maximum deposit able to be held with each institution.

Mr Knowles referred to the fixed and variable lending limits and queried the year on year variation. The Assistant Head of Financial Resources advised that this variation was due to the opportunities which would be available each year and there was a mechanism to assess the likelihood of money being taken from each type of lending as required to maintain the necessary levels identified. The limits set out provided the flexibility needed for the coming year ahead.

Having given the report detailed consideration, it was: -

31. RESOLVED that: -

- (i) the proposed Annual Treasury Management Policy and Strategy for 2015/2016 (including specifically the Annual Borrowing and Investment Strategies) and the Prudential 'Treasury Management' Indicators 2015/2016 to 2017/2018 be noted; and
- (ii) the Council be advised that the Committee was satisfied that the arrangements for Treasury Management were in an excellent position for the next and future years.

(Signed) G N COOK  
Chair



**AUDIT AND GOVERNANCE COMMITTEE**

**27 March 2015**

**CORPORATE ASSURANCE MAP – UPDATE**

**Report of the Head of Assurance, Procurement and Projects**

**1. Purpose of Report**

- 1.1 To enable the Audit and Governance Committee to consider the updated Corporate Assurance Map based on work undertaken so far during the year, the Internal Audit opinion on the adequacy of the overall system of internal control, and the performance of Internal Audit.
- 1.2 For completeness, the report covers Internal Audit's key performance measures. The report does not set out the work undertaken for associated bodies for which the Council has a lead responsibility; this is a matter for the bodies concerned.

**2. Description of Decision**

- 2.1 The Audit and Governance Committee are asked to note the report and consider the updated Corporate Assurance Map (the Map).

**3. Background**

- 3.1 In March 2014 the Committee approved the proposed Corporate Assurance Map for 2014/15 and the plans of work for Internal Audit and Risk & Assurance.
- 3.2 A key feature of the integrated assurance framework is to co-ordinate assurance that could be provided by other sources within the Council and external sources and consider if there are any gaps or duplication in the assurance provided.

**4. Updated Corporate Assurance Map**

- 4.1 The updated Corporate Assurance Map, as at 5<sup>th</sup> March 2014, is shown overleaf. It has been updated based on the work to date of the Internal Audit, and Risk and Assurance Teams and assurance from other sources within the Council and external sources.

## Corporate Assurance Map

Assurance Position (as at 5 <sup>th</sup> March 2015) (Cumulative)		2014/15									
		1st Line	2 <sup>nd</sup> Line							3 <sup>rd</sup> Line	
		Management Assurance	Other Internal Assurance Activity							Internal Audit	External Assurance
		Legal Services	Financial Resources	Programmes and Projects	Strategy, Policy and Performance	ICT	HR & OD	Business Continuity	Risk and Assurance		
<b>Strategic Risk Areas</b>											
Current Risk	Residual Risk										
People									X		
Place									X		
Economy									X		
Organisational			X						X		X
<b>Corporate Risk Areas</b>											
Customer Focus / Service		X			X				X	X	
Legality			X						X		
Service / Business Planning		X			X				X	X	
Programme and Project Management		X		X					X	X	
Partnerships		X							X	X	
Business Continuity Planning		X						X	X	X	
Procurement		X							X	X	
Relationship and Contract Management		X							X	X	
Financial Management		X	X						X	X	X
Human Resource Management		X					X		X	X	
Information Governance		X	X						X	X	
Performance Management		X			X				X	X	
Asset Management		X							X		
ICT Strategy and Delivery						X			X	X	
Fraud and Corruption		X								X	
Risk Management (Service Delivery)		X							X	X	
Schools		X	X						X	X	

Key: X=activity planned, White=no coverage, **Green**=full / substantial assurance, **Amber**=moderate assurance, **Red**=limited / no assurance

## Strategic Risk Areas

- 4.2 The top section of the Map relates to the strategic risks identified in the Strategic Risk Profile. The Profile is attached at Appendix 1. Given the longer term nature of these risks the current risk rating is shown (i.e. what would be the level of risk if no actions were taken to manage the risks), and the residual risk level (i.e. the level of risk taking into account ongoing actions and planned actions). Progress against each of the mitigating actions is assessed with the lead officers and assurance levels determined.

## Assurance from Internal Audit

- 4.3 The detailed results of Internal Audit work are shown at Appendix 2, with the summary outcomes shown on the Map. Appendix 2 shows all of the opinions, including those from previous years, which have been considered in determining the overall assurance level.
- 4.4 From the original 71 audits included within the Council's audit plan for the year it is now considered not appropriate to carry out four of them. They are:
- Sunderland Partnership – a review is being carried out of the operation this partnership from within the service.
  - Multi Agency Safeguarding Hub (MASH) – work is on-going between the People's Directorate, Health and the Police with a view to evaluating and redesigning how the MASH works. The audit will therefore be deferred into 2015/16.
  - Community Family and Wellbeing – The Chief Operating Officer is having monthly meetings with the Head of Service, ICT, Corporate Affairs, and Strategy, Policy and Performance to monitor improvements being made and a new ICT solution is being put in place. It is appropriate to defer this audit into 2015/16 to allow these to be finalised and become established.
  - Corporate Service Planning arrangements – The development of the new Corporate Plan is still underway and this will be developed in line with future plans for the Council over the next 5 years. Audit work will therefore be undertaken in the next financial year in relation to future planning arrangements.

## Assurance from Risk and Assurance Team

- 4.5 Areas that the Risk and Assurance Team are currently involved in are shown at Appendix 3. Much of their work is ongoing over a period of time, however, where ongoing assurance can be provided from their work this is shown on the Map. Assurance work within the last quarter has included:
- Support to the development of alternative service delivery vehicles such as Leisure Services review, Sunderland Care and Support Ltd, place

based services and the Tyne and Wear Care Alliance.

- Providing assurance on the delivery of the Transformation Programme and Key Projects.
- Procurement Phase of the New Wear Crossing and the development stage of the SSTC Phase 3.
- Planning for the implementation of the City Deal.
- Providing assurance on the delivery of the Workforce Transformation project (pay and grading review).
- Risks in relation to the delivery of ICT business objectives.
- Mobilisation phase of the Intelligence Hub.
- Implementation of the new Care Act and Children and Families Act.
- Implementation of the Better Care Fund.

4.6 As has been reported to the Committee throughout the year, a significant amount of work has been undertaken in relation to Children's Safeguarding. Assurance activity has been focussed on the Improvement Plan and the preparation for the pending OFSTED visit. Appropriate governance arrangements are in place to monitor improvement activity, as follows:

- Scrutiny arrangements held on a monthly basis, including an independent Head Teacher.
- Improvement Board held on a monthly basis, with an independent Chair (specialist in Children's Services)
- Detailed preparation and evidence gathering for the pending OFSTED inspection has identified the areas of good practice and areas for improvement, contributing to the Improvement Plan.

4.7 In terms of improvement activity some positive action has been taken to recruit social workers, implement a programme of Back to Basics training and completion of case file audits. However, as expected in a programme of change of this size, there is much activity still to be undertaken as well as time being required to see the outcomes of the current actions. The Chief Operating Officer for the People Directorate has been invited to attend the Committee to provide a verbal update.

#### Assurance from others within the Council

4.8 Assurance provided from others within the Council is shown in the Corporate Assurance Map.

- 4.9 The ICT Unit is developing an assurance framework with support from the Risk and Assurance Team. The results of this will be reported in the Corporate Assurance Map from the next financial year.

Assurance from Management

- 4.10 Arrangements are in place to obtain assurance from service management in a number of areas. Members will note that the majority of risk areas are shown as having substantial assurance.

Assurance from External Sources

- 4.11 The Map has been updated with the results of a recent OFSTED report regarding Further Education and Skills which provided a ‘Good’ judgment. This has resulted in performance management moving to Amber in the external assurance column.

Overall

- 4.12 All assurance levels remain the same.

**5. Internal Audit Performance**

- 5.1 The performance in relation to targets set for Internal Audit is shown at Appendix 4. Performance is on target for all KPI’s apart from:
- The Percentage of significant risk recommendations stands at 94% against a target of 100%. This is due to one recommendation not being implemented by the due date for the Operational Asset Management Audit.
  - The percentage of medium risk recommendations implemented (excluding schools) which now stands at 83%, an improvement from 82% reported at the last meeting.

A summary of the performance by directorate is shown below:

Directorate / Body	Implementation Rate
People	85%
Office of the Chief Executive	79%
Commercial and Corporate Services	83%
<b>Implementation Rate (exc. Schools)</b>	<b>83%</b>
Schools	88%
<b>Total Implementation Rate</b>	<b>85%</b>

## **6. Conclusions**

- 6.1 This report provides an update on the assurance provided in the Corporate Assurance Map, work ongoing in relation to the Internal Audit and Risk & Assurance Teams and performance targets for Internal Audit.
- 6.2 Results of the work undertaken so far during the year have not highlighted any issues which affect the overall opinion that the Council continues to have in place an adequate system of internal control.

## **7. Recommendations**

- 7.1 The Audit and Governance Committee are asked to note the report and consider the updated Corporate Assurance Map.

## Strategic Risk Profile

### People

#### Desired Outcomes

A city where everyone is as healthy as they can be and enjoys a good standard of wellbeing

A city with high levels of skills, educational attainment and participation

A city which is, and feels, even safer and more secure

A city that ensures people are able to look after themselves wherever possible

Risk Description	Risk Owner	Score Dec 2014 Lxl	Current Score Mar 2015 Lxl	Mitigation and progress to reduce current score	Residual Score Lxl
<p><b>PE 1</b> Failure to ensure appropriate health and wellbeing services to children and adults, in response to financial pressures</p>	Neil Revely, ED of People Services	2x4 = 8	2x4 = 8	<ul style="list-style-type: none"> <li>• Implement the Health and Wellbeing Strategy to:               <ul style="list-style-type: none"> <li>○ Target prevention and early intervention</li> <li>○ Build capacity and reduce dependency to help individuals to be more independent and self-sustaining</li> </ul> </li> <li>• Manage demand by empowering customers to take up viable alternatives to council services</li> <li>• Coordinate and implement public health campaigns and promotional activities working with relevant external public health related organisations</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Health and Wellbeing Board has responsibility for delivering the Health and Wellbeing Strategy</li> <li>• Delivery plan for the Health and Wellbeing Strategy</li> <li>• Continuing to integrate approach. Consideration being given to an integrated commissioning approach with Health</li> <li>• Joint Strategic Needs Assessment completed and signed off by the Health and Well Being Board</li> <li>• People Services plan on a page in place</li> <li>• Planned savings on target for 2014/15</li> <li>• Better Care Fund agreement ready for approval</li> </ul>	2x4 = 8

Risk Description	Risk Owner	Score Dec 2014 LxI	Current Score Mar 2015 LxI	Mitigation and progress to reduce current score	Residual Score LxI
<p><b>PE 2</b> We fail to encourage more people to help themselves and communities to come up with local solutions</p>	<p>Sarah Reed, Assistant Chief Executive</p>	<p>3x3 = 9</p>	<p>3x3 = 9</p>	<ul style="list-style-type: none"> <li>• As a Community Leadership Council we will strengthen self-help capacity in our communities</li> <li>• Deliver the Voluntary Community Sector Relationship Transition project</li> <li>• Implement the Community Resilience Plan, Health and Wellbeing Strategy and Strengthening Families Strategy to develop asset based approaches to increase independence and self-reliance</li> <li>• Through the “PEOPLE” strand of communications deliver an integrated campaign, which encourages people to help themselves</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Continuing to develop the approach to being a Community Leadership Council</li> <li>• Voluntary Community Sector project complete, it developed an approach that aligns engagement with the VCS and day to day service delivery</li> <li>• Community Resilience Plan being implemented in parts across all partners. Arrangements for monitoring of progress and effectiveness need to be developed.</li> </ul>	<p>1x3 = 3</p>
<p><b>PE 3</b> Despite improvement, a range of health indicators across the city continue to be below national averages including levels of child and adult obesity, rates of breastfeeding and levels of teenage pregnancy</p>	<p>Neil Revely, ED of People Services</p>	<p>3x3 = 9</p>	<p>3x3 = 9</p>	<ul style="list-style-type: none"> <li>• Deliver the Public Health improvement responsibilities</li> <li>• Progress the delivery plan and performance management to address improvement in health indicators</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Plan on a page in place</li> <li>• Progress on overarching indicators to be reported to Health &amp; Wellbeing Board</li> <li>• Board to challenge other under performing indicators</li> <li>• University to review methods of measuring progress as to how things are being done differently</li> <li>• People Services plan on a page includes Activity Policy</li> <li>• Education and Skills Strategy includes what ‘great schools’ look like, including healthy eating and activity</li> </ul>	<p>2x3 =6</p>



Risk Description	Risk Owner	Score Dec 2014 Lxl	Current Score Mar 2015 Lxl	Mitigation and progress to reduce current score	Residual Score Lxl
				<ul style="list-style-type: none"> <li>Joint Venture agreement for Leisure includes targets for increasing activity levels</li> </ul>	
<p><b>PE 4</b> Economic conditions will mean that our interventions to help people, particularly young people, to gain employment will not be as effective as intended</p>	<p>Janet Johnson, Deputy Chief Executive</p>	<p><b>3x3 = 9</b></p>	<p><b>3x3 = 9</b></p>	<ul style="list-style-type: none"> <li>Extend employment opportunities for people out of work and to ensure job progression and mobility for those people in work through the implementation of the Sunderland Employment Strategy</li> <li>Continue to deliver (and develop) early intervention and prevention practices to support young people who are a risk of becoming NEET</li> <li>Maximise learning opportunities afforded by the Youth Contract and by 3<sup>rd</sup> sector providers to young people requiring most support, to move them towards employment opportunities.</li> <li>The Education Leadership Board to continue to improve the links between schools and employers</li> <li>Extend the environmental apprenticeship scheme across other Streetscene services</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>NEET interventions continue via work of Locality/Connexions team members. This is being supplemented through People Board initiatives</li> <li>North East Leadership Board (Combined Authority) has been set up to deliver the shared ambitions of the seven councils to accelerate economic growth; focusing on skills, transport and inward investment, giving the area a stronger voice nationally and internationally</li> <li>“Work Discovery” which is now in its third year, was established through business leaders working directly with schools, supported by the Council, providing students with greater knowledge of job opportunities</li> <li>Education and Skills Strategy has been finalised which prepares young people for employment and successful careers</li> </ul>	<p><b>2x3 = 6</b></p>

Risk Description	Risk Owner	Score Dec 2014 Lxl	Current Score Mar 2015 Lxl	Mitigation and progress to reduce current score	Residual Score Lxl
<p><b>PE 5</b> The current skill levels of young people and adults are not sufficient to meet the current and future needs of the economy</p>	<p>Neil Revely, ED of People Services</p>	<p><b>3x3 = 9</b></p>	<p><b>3x3 = 9</b></p>	<ul style="list-style-type: none"> <li>• Implement the Sunderland Skills Strategy to consider employer demand and the skills needed to fill any expected shortages or gaps within the growth sectors</li> <li>• Implement the Family, Adult and Community Learning Strategy which outlines the priorities and principles necessary to meet the learning needs of adults and families</li> <li>• The Education Leadership Board to continue to Improve links between schools and employers</li> <li>• Set up the Combined Authority whose remit will include regional skills issues</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• ELB is fully in place with key stakeholder involvement, i.e. employers, training providers, college/university, schools and nurseries, Council officer.</li> <li>• Combined Authority in place from April 2014</li> <li>• FACL continues to have increased participation and improved level of accredited course participation.</li> <li>• North East Leadership Board (Combined Authority) to deliver the shared ambitions of the seven councils to accelerate economic growth; focusing on skills, transport and inward investment, giving the area a stronger voice nationally and internationally</li> <li>• The Economic Leadership Board has established 3 Result Groups including Sector Growth and Skills, providing a greater focus on skills on a city wide basis</li> <li>• The North East Local Enterprise Partnership (NELEP) has been chosen by government as one of only three LEPs across the country to pilot innovative new approaches to skills development funding to help boost local jobs and business growth. NELEP will work jointly with the Skills Funding Agency to develop the skills model</li> <li>• Education and Skills Strategy has been finalised</li> <li>• Judgment of 'Good' received from the recent FACL OFSTED inspection</li> </ul>	<p><b>2x3 = 6</b></p>

Risk Description	Risk Owner	Score Dec 2014 Lxl	Current Score Mar 2015 Lxl	Mitigation and progress to reduce current score	Residual Score Lxl
<p><b>PE 6</b> Increasing poverty levels and community cohesion issues arising out of welfare reforms and economic conditions</p>	<p>Sarah Reed, Assistant Chief Executive</p>	<p>3x3 = 9</p>	<p>3x3 = 9</p>	<ul style="list-style-type: none"> <li>• Continue to deliver the Welfare Reform “Social Fund”</li> <li>• Prepare for the introduction of “Universal Credit”</li> <li>• Implement the Community Resilience Delivery Plan</li> <li>• Continue to implement the Child and Family Poverty Strategy</li> <li>• Deliver the Strengthening Families project</li> <li>• Develop and implement a delivery plan for the Access to Housing Strategy</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Social Fund in place and continues to provide support to local communities. Take up is lower than anticipated. Government funding will cease in March 2015</li> <li>• Uncertainty remains over the introduction of “Universal Credit”</li> <li>• Strengthening Families approach being used to address poverty and cohesion issues</li> </ul>	<p>2x3 = 6</p>
<p><b>PE 7</b> Implementation of the Health &amp; Wellbeing Strategy may not effectively target the most vulnerable groups resulting in widening inequalities</p>	<p>Neil Revely, ED of People Services</p>	<p>2x3 = 6</p>	<p>1x3 = 3</p>	<ul style="list-style-type: none"> <li>• Implement the Health and Wellbeing Strategy, delivery plan and performance management arrangements</li> <li>• Continue to liaise with the Clinical Commissioning Group and GPs to gain a better understanding of vulnerable groups</li> <li>• Develop an asset based approach to delivery, making better use of assets that already exist in families and communities</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Health and Wellbeing Board monitor the actions to reduce inequalities The Design Principles that underpin the approach to health and wellbeing includes Equity – providing access to excellent services dependent on need and preferences that are also based on evaluated models.</li> <li>• People Services plan on a page in place</li> <li>• Benefits co-ordination with Gentoo regarding people with complex needs</li> </ul>	<p>1x3 = 3</p>

Risk Description	Risk Owner	Score Dec 2014 Lxl	Current Score Mar 2015 Lxl	Mitigation and progress to reduce current score	Residual Score Lxl
				<ul style="list-style-type: none"> <li>2 GP federations established to co-ordinate communications with GPs in the City</li> </ul>	
<p><b>PE 8</b> Failure to align partner services to ensure we have a city that is safe and secure</p>	<p>Sarah Reed, Assistant Chief Executive</p>	<p><b>2x2 = 4</b></p>	<p><b>2x2 = 4</b></p>	<ul style="list-style-type: none"> <li>Continue to deliver the Safer Sunderland Partnership's delivery plan: tackling alcohol, drugs, domestic violence, violent crime, anti-social behaviour, safety and feelings of safety and re-offending</li> <li>Apply the Strengthening Families approach to support people out of offending</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>The multi agency Strengthening Families Programme is starting to record success in reducing offending</li> <li>Multi Agency Safeguarding Hub in place</li> </ul>	<p><b>1x2 = 2</b></p>

**PLACE**

**Desired Outcomes**

An attractive, modern city where people choose to invest, live, work and spend their leisure time.  
 A responsible, well looked-after city that is adaptable to change.  
 A well connected city.  
 A city where cultural identity and vibrancy act as a significant attraction

Risk Description	Risk Owner	Score Dec 2014 Lxl	Current Score Mar 201 Lxl	Mitigation and progress to reduce current score	Residual Score Lxl
<b>PL 1</b> The Local Development Framework is not adopted thereby restricting development opportunities for the City	Janet Johnson, Deputy Chief Executive	2x4 = 8	2x4 = 8	<ul style="list-style-type: none"> <li>Develop the LDF (Local Plan) to ensure it meets the required Government criteria</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>Local Plan is being developed in line with government criteria. However adoption of Local Plan is expected to be late 2015/16. Development will not stop however until the Local Plan is adopted</li> <li>Area Action Plan to be developed in respect of the IAMP site</li> </ul>	1x4 = 4
<b>PL 2</b> Failure to deliver our place-shaping activities in a coordinated manner (including economic housing and transport investments)	Janet Johnson, Deputy Chief Executive	2x3 = 6	2x3 = 6	<ul style="list-style-type: none"> <li>Adopt an ambitious, developer/investor friendly Core Strategy (Land Use Plan) that will guide high quality future physical development that is synonymous with a modern, vibrant, aspirational city</li> <li>Develop and implement the Sunderland Housing Strategy</li> <li>Set up the Combined Authority that will have responsibility for the creation of an area wide integrated transport authority and preparation of a local transport plan</li> <li>Utilise all available funding opportunities to improve infrastructure e.g. Regional Growth Fund</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>Combined Authority set up to                             <ul style="list-style-type: none"> <li>Provide leadership and a united voice on key strategic transport issues.</li> </ul> </li> </ul>	1x3 = 3

Risk Description	Risk Owner	Score Dec 2014 LxI	Current Score Mar 201 LxI	Mitigation and progress to reduce current score	Residual Score LxI
				<ul style="list-style-type: none"> <li>○ Link strategic transport planning with economic priorities.</li> <li>○ Provide strong representation on transport issues of national significance including rail, strategic road network and our ports.</li> <li>○ Provide more effective co-ordination enable improvement to the area's public transport network.</li> <li>○ Offer the best framework to maximise and manage devolution of transport funding</li> <li>● Funding secured for SSTC Phase 3 and scoping of the IAMP development</li> </ul>	
<p><b>PL 3</b> Delivery of capital investment priorities is too slow to realise opportunities available</p>	<p>Janet Johnson, Deputy Chief Executive</p>	<p><b>Score</b> <b>2x3 = 6</b></p>	<p><b>Score</b> <b>2x3 = 6</b></p>	<ul style="list-style-type: none"> <li>● Development of a Local Asset Backed Vehicle (LABV) to deliver accelerated regeneration and economic development activity</li> <li>● Continue to support the development of priority areas including <ul style="list-style-type: none"> <li>○ Vaux site</li> <li>○ Sunnyside</li> <li>○ Seaburn</li> </ul> </li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>● Strategic Partner procured for the LABV and the new company has been established</li> <li>● Realignment of St Mary's Way and development of city centre square progressing which will support development of the Vaux Site and City Centre.</li> <li>● Washington Leisure Centre due to open in Spring 2015.</li> <li>● Creation of the LABV should expedite the delivery of investment priorities, including the Vaux site.</li> <li>● CEO appointed to the LABV</li> </ul>	<p><b>1x3 = 3</b></p>

Risk Description	Risk Owner	Score Dec 2014 LxI	Current Score Mar 201 LxI	Mitigation and progress to reduce current score	Residual Score LxI
<p><b>PL 4</b> Inability to stimulate sufficient inward investment for development projects, particularly in relation to the City Centre</p>	<p>Janet Johnson, Deputy Chief Executive</p>	<p>2x3 = 6</p>	<p>2x3 = 6</p>	<ul style="list-style-type: none"> <li>Promote the City nationally and internationally as a place to invest, through the Make it Sunderland campaign</li> <li>Private sector partners to develop a Business Improvement District proposal providing resources that will contribute to physical improvement in the city centre</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>Sunderland BID Limited has been established in the form of an independent, not-for-profit company controlled by the private sector. The Board membership currently stands at 17 who are elected from businesses and city stakeholders. The Board is responsible for ensuring projects are delivered on time and within budget. A small operational team is now in place to support Ken Dunbar, the first Chief Executive of the new BID Company. The company has have developed a business plan to invest at least £3.4 m in the city centre over the next 5 years</li> <li>Make it Sunderland campaign continues to promote investment in the City</li> <li>Inward investment secured in respect of The Bridges, Sunniside Leisure and a new hotel complex.</li> </ul>	<p>1x3 = 3</p>
<p><b>PL 5</b> The City's infrastructure does not provide appropriate access and movement for all, including those with restricted mobility</p>	<p>Neil Revely, ED of People Services</p>	<p>2x2 = 4</p>	<p>2x2 = 4</p>	<ul style="list-style-type: none"> <li>Continue to engage with Nexus to develop Community Transport, taking into consideration the market and the commercial viability of transport routes</li> <li>Engage with the Voluntary and Community sector to provide access for people with restricted mobility (e.g. volunteer drivers)</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>On going engagement with NEXUS in relation to community transport. Government funding in respect of community transport may be reduced</li> </ul>	<p>2x2 = 4</p>

Risk Description	Risk Owner	Score Dec 2014 Lxl	Current Score Mar 201 Lxl	Mitigation and progress to reduce current score	Residual Score Lxl
				<ul style="list-style-type: none"> <li>• Active Travel Plan</li> <li>• Refreshing All Age Friendly City Policy</li> </ul>	
<p><b>PL 6</b> Fail to agree and implement a Cultural Strategy and associated action plan</p>	<p>Neil Revely, ED of People Services</p>	<p><b>2x2 = 4</b></p>	<p><b>2x2 = 4</b></p>	<ul style="list-style-type: none"> <li>• Develop Cultural Strategy and implementation plan</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Cultural Partnership formed to bring a wider base to the development of the strategy</li> <li>• Cultural Strategy being launched</li> <li>• Heritage lottery schemes being progressed</li> <li>• Fulwell Mill – the Activity Centre has been transferred to Sunderland North Community Business Centre (SNCBC) under a 3 year lease and they will develop a Business Plan for the Centre, which will also include future funding options for the Mill.</li> <li>• Monkwearmouth Station – discussions with Sunderland AFC are on-going as to the potential for them taking on the building. An options paper has been produced on which comments are awaited from SAFC</li> <li>• Museum and Heritage Service Vision – a vision document has been produced for submission to Arts Council England to enable accreditation to be secured for the Museum and Winter Gardens and options for the future delivery of the Museum are being considered</li> </ul>	<p><b>1x2 = 2</b></p>



**ECONOMY**

**Desired Outcomes**

A national hub of the low carbon economy  
 A prosperous and well connected waterfront city centre  
 An inclusive city economy for all ages

Risk Description	Risk Owner	Score Dec 2014 Lxl	Current Score Mar 2015 Lxl	Mitigation and progress to reduce current score	Residual Score Lxl
<p><b>EC 1</b> The increased costs of university fees and restricted access to appropriate learning opportunities will dissuade some young people from attending HE and skills levels will not increase as quickly as anticipated</p>	<p>Janet Johnson, Deputy Chief Executive</p>	<p><b>2x3 = 6</b></p>	<p><b>2x3 = 6</b></p>	<ul style="list-style-type: none"> <li>• Education Leadership Board to promote the benefits of higher education</li> <li>• North East Local Enterprise Partnership (NELEP) to support the promotion of higher education</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• NELEP and the Education Leadership Board continue to promote the benefits of higher education</li> <li>• Council, schools, colleges and the NE Chamber of Commerce are engaged to strengthen ties between education and business in the city</li> </ul>	<p><b>2x3 = 6</b></p>
<p><b>EC 2</b> The City doesn't attract inward investors because of a lack of sites / finance</p>	<p>Janet Johnson, Deputy Chief Executive</p>	<p><b>2x3 = 6</b></p>	<p><b>2x3 = 6</b></p>	<ul style="list-style-type: none"> <li>• Development of a Local Asset Backed Vehicle (LABV) to leverage private sector funding and investment in the City</li> <li>• Allocation of appropriate employment sites through the LDF process</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Strategic Partner procured and now in mobilisation phase to establish the new company</li> <li>• Funds secured in respect of the Enterprise Zone</li> <li>• City Deal has been signed, providing funding to begin development of the 100-hectare International Advanced Manufacturing Park (IAMP)</li> <li>• Local Growth Fund and ERDF funding secured in respect of transport infrastructure and the Low Carbon Zone transport scheme</li> <li>• LABV expected to deliver investment for priority areas</li> </ul>	<p><b>2x3 = 6</b></p>

Risk Description	Risk Owner	Score Dec 2014 Lxl	Current Score Mar 2015 Lxl	Mitigation and progress to reduce current score	Residual Score Lxl
<b>EC 3</b> The more highly qualified/skilled people in the City will leave to find suitable work outside of the region, reducing the proportion of highly qualified/skilled people living in the City	Janet Johnson, Deputy Chief Executive	3x3 = 9	3x3 = 9	<ul style="list-style-type: none"> <li>Continue to deliver the Make It Sunderland campaign that sets the direction for our efforts to attract employment opportunities to the city, across a wide range of sectors</li> <li>Implement a Housing Investment Plan that ensures we have the right range and types of housing, in the right locations, to retain existing residents and attract new people into the City</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>Housing Investment Plan to be updated and included in the Housing Strategy</li> <li>Make it Sunderland campaign continuing to attract jobs and investment into the City</li> </ul>	2x3 = 6
<b>EC 4</b> Inability to deliver on the New Wear Crossing in line with the planned timescales	Janet Johnson, Deputy Chief Executive	2x3 = 6	2x3 = 6	<ul style="list-style-type: none"> <li>Complete the procurement phase and deliver the construction phase of the New Wear Crossing</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>Tender evaluation/ clarification process now complete. Agreement with preferred bidder now to be finalised confirming date for contract award.</li> <li>Awaiting Government (DCLG/ DfT) approval of the funding bid</li> </ul>	2x3 = 6
<b>EC 5</b> Fail to ensure plans are in place to support carers, people with disabilities and mental health issues into or to maintain employment	Neil Revely, ED of People Services	2x4 = 8	2x4 = 8	<ul style="list-style-type: none"> <li>Continue to engage with Remploy, who provide sustainable employment opportunities for disabled people and those who experience complex barriers to work</li> <li>Continue to support the Carers Strategy Group</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>On going engagement with Remploy and the Carers Strategy Group</li> <li>Sunderland Carers Centre successful in bid to run the Independent Supporters Programme in Sunderland</li> <li>Implementation of the Care Act improves the</li> </ul>	1x4 = 4

Risk Description	Risk Owner	Score Dec 2014 Lxl	Current Score Mar 2015 Lxl	Mitigation and progress to reduce current score	Residual Score Lxl
				consideration and assessments of carers' needs for adults and young carers	
<b>EC 6</b> Pace and scale of regeneration in the City Centre does not satisfy economic prosperity ambitions	Janet Johnson, Deputy Chief Executive	2x4 = 8	2x4 = 8	<ul style="list-style-type: none"> <li>Progress development opportunities, e.g. Vaux site, City Square, Sunnyside</li> <li>Support the Business Improvement District proposal</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>Sunderland BID Limited has been established in the form of an independent, not-for-profit company controlled by the private sector. The company has developed a business plan to invest at least £3.4 m in the city centre over the next 5 years.</li> <li>LABV set up; with the development of the Vaux Site as one of its priority objectives</li> <li>City Centre has undergone ambitious programme of place shaping to open up a range of investment sites. Development of Keel Square and realignment of St Mary's Way to support the regeneration of the former Vaux site and the wider city centre nearing completion</li> <li>Construction started on the new Sunderland College campus on the Holmeside site</li> </ul>	1x4 = 4
<b>EC 7</b> Partners do not have a coordinated approach to supporting, developing and attracting business to the City	Janet Johnson, Deputy Chief Executive	2x2 = 4	2x2 = 4	<ul style="list-style-type: none"> <li>Continue to support the Business and Innovation Centre which provides a joint approach for business support</li> <li>Implement the Enterprise and Innovation Strategy</li> <li>Continue to develop the North East Local Enterprise Partnership (NELEP) Enterprise Zones</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>University has secured funding to develop a Business Support centre</li> <li>Software Centre and Washington centre providing incubation and business space with business support activity</li> <li>Sector growth and Results group of the Economic Leadership Board tasked with simplifying business support in the city</li> </ul>	1x2 = 2

## ORGANISATION

### Desired Outcomes

Achieving Community Leadership.

Delivering High Quality Services That Are Led By Our Customers' Needs

Ensuring Value for Money and Productive Use Of Resources

Risk Description	Risk Owner	Score Dec 2014 Lxl	Current Score Mar 2015 Lxl	Mitigation and progress to reduce current score	Residual Score Lxl
<b>OR 1</b> The Council and the community may not have the required skills and capacity to deliver the City's priorities	Sue Stanhope, Director of HR & OD Sarah Reed, Assistant Chief Executive	<b>3x3 = 9</b>	<b>3x3 = 9</b>	<ul style="list-style-type: none"> <li>Focus upon strengthening local self-help capacity, In order to meet our aspirations as a Community Leadership Council</li> <li>Utilise workforce planning to develop and transfer skills across the council</li> <li>Deliver the Voluntary and Community Sector Relationship Transition project</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>VCS project completed having developed an approach that aligns engagement with the VCS and day to day service delivery</li> <li>Both workforce planning and transformation projects are progressing which have/will allowed the Council become more flexible in the use of the Council's human resources</li> <li>Future priorities require individuals and communities to become more self-supporting</li> </ul>	<b>2x3 = 6</b>
<b>OR 2</b> Lack of pace, leadership, innovation and commitment resulting in inability to achieve the required outcomes	Sarah Reed, Assistant Chief Executive	<b>2x4 = 8</b>	<b>2x4 = 8</b>	<ul style="list-style-type: none"> <li>Develop the role of a Community Leadership Council to be more intelligent in setting relevant and focused priorities</li> <li>Deliver the Business Transformation Programme</li> <li>Deliver Alternative Service Delivery Models</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>Role of Community Leadership Council undergoing review</li> </ul>	<b>1x4 = 4</b>

Risk Description	Risk Owner	Score Dec 2014 Lxl	Current Score Mar 2015 Lxl	Mitigation and progress to reduce current score	Residual Score Lxl
				<ul style="list-style-type: none"> <li>Sunderland Care &amp; Support Ltd set up in December 2013. Leisure JV to commence shortly</li> <li>Further iteration of the Transformation programme is being developed along with the development of the Council's plan for 2020</li> </ul>	
<b>OR 3</b> Council does not secure the required savings	Sonia Tognarelli, Director of Finance	2x4 = 8	2x4 = 8	<ul style="list-style-type: none"> <li>Agree MTFS (in context of Community Leadership Council)</li> <li>Agree Service Area efficiency targets and monitor progress</li> <li>Deliver the Business Transformation Programme</li> <li>Deliver Alternative Service Delivery Models</li> <li>Deliver the Workforce Planning project</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>MTFS in place</li> <li>Workforce Planning efficiency targets for 2014/15 agreed</li> <li>Care and Support ASDM went live December 2013</li> <li>Plans for 2015/16 savings in place</li> <li>Actions being progressed to develop detailed plans to deliver 2015/16 savings</li> <li>Five year budget planning approach being developed involving a fundamental review of all services which will provide the necessary intelligence aligned to strategic aims to allow Members to prioritise savings proposals as funding becomes clearer for future financial years</li> </ul>	1x4 = 4
<b>OR 4</b> Failure to collect, analyse and use intelligence to enable customer insight to inform decision making	Sue Stanhope, Director of HR & OD Sarah Reed, Assistant Chief Executive	2x3 = 6	2x3 = 6	<ul style="list-style-type: none"> <li>Development and delivery of the Intelligence Hub</li> <li>Strategic planning and service redesign to reflect the needs and preferences of our customers and communities</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>Intelligence Hub is now in the mobilisation phase with a Multi-disciplinary project team in place to</li> </ul>	1x3 = 3

Risk Description	Risk Owner	Score Dec 2014 Lxl	Current Score Mar 2015 Lxl	Mitigation and progress to reduce current score	Residual Score Lxl
				support the development and introduction of the intelligence hub	
<b>OR 5</b> Employee engagement falls as a result of ongoing significant changes	Sue Stanhope, Director of HR & OD	<b>2x3 = 6</b>	<b>2x3 = 6</b>	<ul style="list-style-type: none"> <li>• Continue to monitor and intervene in areas where employee engagement is showing signs of diminishing</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Position continues to be monitored via information obtained from employee surveys, consultations and feedback from unions. Recent results suggest employees continue to remain engaged</li> <li>• There is a degree of uncertainty in the Workforce pending the Union Ballot on the Workforce Transformation proposals</li> </ul>	<b>1x3 = 3</b>

Detailed Internal Audit Coverage

Key Risk Area	2012/13 Audits / Opinions		2013/14 Audits / Opinions		2014/15 Audits / Opinions		Scope of 2014/15 Audit	Overall Opinion
Customer Focus	Children's Services – Safeguarding	L	Community and Family Wellbeing - Governance Arrangements	M	Customer Services Network		Review success of migration of services	Moderate
	Personal Budgets	L	Out of Area Placements	L				
			Web Content Development	M				
			Crisis Loans / Social Fund	S				
Legality	Equality Impact Assessments	M						Substantial
	Licensing (Compliance with Provision of Services Regulations 2009)	S						
	Corporate Legality	F						
Service / Business Planning	Children's Services – Safeguarding	L	Corporate Service/ Business Planning	M	Corporate Service Planning Arrangements		Review of business continuity arrangements in relation to workforce reductions	Moderate
			Community and Family Wellbeing - Governance Arrangements	M	Community and Family Welfare - Governance Arrangements		Review of planning and performance management arrangements	
			Derwent Hill	S	Multi Agency Safeguarding Hub		Review of information sharing arrangements, and response to safeguarding incidents / serious case reviews	
			Out of Area Placements	L	Port Governance Arrangements	M		

Key Risk Area	2012/13 Audits / Opinions		2013/14 Audits / Opinions		2014/15 Audits / Opinions		Scope of 2014/15 Audit	Overall Opinion
			Operational Asset Management	L	LEP Accountable Body Arrangements	S	To cover accounting arrangements, the process for allocating grants/loans to third parties, the monitoring arrangements and the quarterly claims process.	
Programme and Project Management	Landscape and Reclamation Service	M	Implementation of the Economic Master Plan	M	Programme and Project Management	S	Review of compliance with new Project Management Standards	Moderate
	Programme and Project Management - support to major projects	S			Realisation of Benefits & Savings			
	Operating Model – realisation of benefits	S						
Partnerships					Multi Agency Safeguarding Hub		Review of information sharing arrangements, and response to safeguarding incidents / serious case reviews	Moderate
					Corporate Partnership Arrangements		Review of compliance with the Partnerships Code of Practice	
					Sunderland Partnership			
Business Continuity and Emergency Planning			HHAS Business Continuity Planning	M	Corporate Business Continuity Planning	M	Review of business continuity arrangements in relation to workforce reductions	Moderate
Procurement	Capital Procurement	S	Derwent Hill	S	Commissioning	L	Review of working arrangements for the new integrated commissioning team, including contract management arrangements	Moderate



Key Risk Area	2012/13 Audits / Opinions		2013/14 Audits / Opinions		2014/15 Audits / Opinions		Scope of 2014/15 Audit	Overall Opinion
	Unplanned Audit – Revenue Procurement	S	Out of Area Placements	L	Contract Management		Review of compliance with new Contract Management Framework	
			Revenue Procurement	S	Capital Procurement	S		
Relationship and Contract Management	Care and Support Sunderland Ltd – contract management	M	Street lighting PFI Contract Management	M	Commissioning	L	Review of working arrangements for the new integrated commissioning team, including contract management arrangements	Moderate
	Housing Related Support	L	Events Company Contract Management	M				
Financial Management	YPLA Schools Sixth Form Grant	S	EFA / SFA Funding	S	EFA / SFA Funding	S	Grant Certification work	Substantial
	Local Transport Capital Block Funding Grant	S	Local Transport Capital and Integrated Transport Grants	S	Local Transport Capital and Integrated Transport Grants	S	Grant Certification work	
	YPLA Young Apprenticeships Cohort 6 Grant	S	Troubled Families Performance Reward Grant	M	Troubled Families Performance Reward Grant	M	Grant Certification work	
	YPLA Young Apprenticeships Cohort 7 Grant	S	DECC Fuel Poverty Grant	M	Contaminated Land Grant	S	Grant Certification work	
	Growing Places Funds 2, 3 and 7	F	Growing Places Funds 2, 3 and 7	S	Benefit Cap Advisors Grant	S	Grant Certification work	
	Department for Business Innovation & Skills – LEP Start Up Fund	S	Clusters of Empty Homes Grant	S	Adoption Reform Grant	S	Grant Certification work	

Key Risk Area	2012/13 Audits / Opinions		2013/14 Audits / Opinions		2014/15 Audits / Opinions		Scope of 2014/15 Audit	Overall Opinion
	Department for Business Innovation & Skills – LEP Capacity Fund	S	Out of Area Placements	L	Commissioning	L	Review of working arrangements for the new integrated commissioning team, including contract management arrangements	
	Deprived Areas Fund Grant	F	Foster Care Allowances	M	Port Governance Arrangements	M		
	Single Investment Programme Grant	F	Charging for Non Residential Adults Care Services	S	LEP Accountable Body Arrangements	S	To cover accounting arrangements, the process for allocating grants/loans to third parties, the monitoring arrangements and the quarterly claims process.	
	Personal Budgets	L			Personal Budgets / Direct Payments	L	Review of process for agreeing care plans and setting personal budgets	
	Direct Payments	L	Direct Payments	L	Accounting / General Ledger	S		
	29 Schools	S	34 Schools	S	32 Schools	S		
	Home Improvement Agency – Loans and Mortgages	S	SAP Organisation Structures	S	SAP Organisation Structures		Review of use of variable occupant positions and multiple occupant positions	
	Housing Related Support	L	SAP HCM Monitoring of Multiple Employee Positions	L	Mobile Phones Contract	L	Value for money study	
	BACS Payments	S	BACS Processing	S	BACS Processing			
	Cash Receipting	S	Cash Receipting	S	Cash Receipting			
	Payroll	M	Payroll	M	Payroll		Verification of input of new pay grades to SAP HCM, following the Workforce Transformation Project.	
	Council Tax Transactions checks	S	Council Tax	S	Council Tax - Valuation			

Key Risk Area	2012/13 Audits / Opinions		2013/14 Audits / Opinions		2014/15 Audits / Opinions		Scope of 2014/15 Audit	Overall Opinion
	Business Rates transactions checks	S	Business Rates	S	Business Rates - Valuation			
	Accounts Payable transactions checks	S	Accounts Payable	S	Accounts Payable	M		
	Accounts Receivable transactions checks	S	Accounts Receivable	S	Accounts Receivable	S		
	1 Leisure Centre	S	Aquatic Centre	S	Periodic Income	S		
	Landscape and Reclamation Service	M	Operational Asset Management	L				
	Capital Procurement	S	Asset Register / Capital Accounting	S				
	Housing Benefit transaction checks	S	Benefits	S	Benefits Administration	S	Transaction Testing	
			Council Tax Support Scheme	S	Recovery of Benefit Overpayments	M		
			Building Maintenance	M	Elections Hardware Grant	S	Unplanned certification work	
			Capital Programme Funding and Monitoring	S	Cash in Transit / Parking Services Income	L	Unplanned audit following loss of cash bag and regular cash shortages in parking ticket machines	
			Treasury Management	S				
			External Funding	S				
			External Funding - Support to Partners / VCS	M				
			Insurance Claims Handling	S				

Key Risk Area	2012/13 Audits / Opinions		2013/14 Audits / Opinions		2014/15 Audits / Opinions		Scope of 2014/15 Audit	Overall Opinion
			Council Tax Support Scheme	S				
			Local Business Rates Scheme	S				
			Crisis Loans / Social Fund	S				
			Derwent Hill	S				
			Events Company Contract Management	M				
Human Resource Management	Corporate Attendance Management Arrangements	L	SAP Organisation Structures	S	SAP Organisation Structures		Review of use of bucket positions and multiple occupant positions	Moderate
	Management of SWITCH	S	Monitoring of Multiple Employee Positions	L	Corporate Training and Development Arrangements	L	Review of training and induction arrangements to assess whether people are able to access the training that they need. Also to consider how information from management assessments has been used	
			Corporate HR Management	M				
Information Governance	Vulnerable Adults Protection Arrangements	S	Corporate Information Governance Arrangements	L	Corporate Information Governance Arrangements	L	Review of content of emails sent outside the organisation	Limited
	Information Governance compliance checks	L			Multi Agency Safeguarding Hub		Review of information sharing arrangements, and response to safeguarding incidents / serious case reviews	
Performance Management	Design of corporate performance management arrangements	S	Operational Asset Management	L	Corporate Performance Management Arrangements		Verification of performance management arrangements reported to EMT	Moderate

Key Risk Area	2012/13 Audits / Opinions		2013/14 Audits / Opinions		2014/15 Audits / Opinions		Scope of 2014/15 Audit	Overall Opinion
			Community and Family Wellbeing - Governance Arrangements	M	Community and Family Welfare - Governance Arrangements		Review of planning and performance management arrangements	
Asset Management	Asset management	M	Derwent Hill	M				Moderate
			Technology Forge	S				
			Operational Asset Management	L				
			ICT Asset Management	A				
			Asset Register / Capital Accounting	S				
ICT Strategy and Delivery			ICT Asset Management	A	Physical and Environmental Controls	S		Moderate
					Mobile Phone Contract	L	Value for money study	
Fraud and Corruption	Counter Fraud Testing		Counter Fraud Testing		Cash in Transit / Parking Services Income	L	Unplanned audit following loss of cash bag and regular cash shortages in parking ticket machines	Substantial
	National Fraud Initiative checks		National Fraud Initiative Case Investigations		National Fraud Initiative Case Investigations	S		
	Home Improvement Agency	S	Direct Payments	L	Schools Counter Fraud Checks		Transaction Testing	

Key Risk Area	2012/13 Audits / Opinions		2013/14 Audits / Opinions		2014/15 Audits / Opinions		Scope of 2014/15 Audit	Overall Opinion
	Direct Payments	L			Personal Budgets	L	Review of process for agreeing care plans and setting personal budgets	
	Cash Receipting Transaction checks	S	BACS Processing	S	BACS Processing			
	Payroll transaction checks	M	Cash Receipting	S	Cash Receipting			
	Council Tax transaction checks	S	Payroll	M	Payroll		Verification of input of new pay grades to SAP HCM after Workforce Transformation Project.	
	Business Rates transaction checks	S	Council Tax	S	Council Tax - Valuation			
	Housing Benefit transaction checks	S	Business Rates	S	Capital Procurement			
	Accounts Payable transaction checks	S	Benefits	S	Benefits Administration	S		
	Accounts transactions	S	Accounts Payable	S	Accounts Payable	M		
			Accounts Receivable	S	Accounts Receivable	S		
					Periodic Income	S		
					Organisation Structures			
Risk Management					Port Governance Arrangements	M		Moderate
Schools	29 schools audits completed – 7 full, 20 substantial, 1 moderate, 1 limited	S	34 schools, 5 full, 25 substantial, 3 moderate, 1 limited	S	32 schools completed to date - 26 substantial, 5 moderate, 1 limited	S	Review of governance and financial management arrangements at 32 schools.	Substantial

## Risk and Assurance Activity

Area of activity	Work ongoing
Strategic Risk Profile	A review of the strategic risks affecting the Council was agreed with EMT. The risk areas have been categorised into People, Place, Economy and Organisational, in line with the Council's Outcomes Framework. Mitigating actions have been agreed and progress is being monitored and reported in Appendix 1.
Transformation Programme	Ongoing assurance work is being undertaken in relation to progress in delivering the projects within the Transformation Programme and the efficiency savings programme. A progress report is presented to the Transformation Board on a monthly basis setting out the progress in relation to key project deliverables and the achievement of efficiency savings targets. Work is ongoing with Project Executives, Project Managers and Heads of Service to report the position and address any change control issues required.
Supporting Executive Directors and Heads of Service to manage risks	Activity is ongoing to aid the managing of risks through service planning, programmes and key projects and partnerships. This will be linked to mitigating actions in the Strategic Risk Profile where appropriate.
Support to Schools	The next round of risk workshops for schools is being planned for the new year. An assurance framework for schools is being developed with key officers within the People's Directorate. A number of Academies have also bought in the risk service.
Service Reviews (including alternative service delivery models), Programmes and Projects (including ICT)	<p>Major projects / service reviews being supported include:</p> <ul style="list-style-type: none"> <li>• Workforce Transformation Project</li> <li>• Sunderland Care and Support</li> <li>• Customer Service Network</li> <li>• Intelligence Hub</li> <li>• Transport and Fleet Management</li> <li>• ICT – various activity</li> <li>• Leisure project</li> <li>• Adult Social Care, Care Act and Children's and Families Act</li> <li>• Development of the Intranet</li> </ul>

Area of activity	Work ongoing
	<ul style="list-style-type: none"><li>• Safeguarding – Childrens and Adults</li><li>• Streetscene projects</li><li>• City Deal</li><li>• New Wear Crossing and SSTC Phase 3</li><li>• Tyne and Wear Care Alliance</li><li>• Better Care Fund</li></ul>



## Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2014/15

## Efficiency and Effectiveness

Objectives	KPI's	Targets	Actual Performance
1) To ensure the service provided is effective and efficient.	1) Complete sufficient audit work to provide an opinion on the key risk areas identified for the Council 2) Percentage of draft reports issued within 15 days of the end of fieldwork 3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report) 4) Cost per £m Turnover	1) All key risk areas covered over a 3 year period 2) 90% 3) 80% 4) Lower than average within CIPFA Benchmarking Club	1) On target 2) Ahead of target — 93% 3) On target - 80% 4) On target - £330 v £734 average
Quality			
Objectives	KPI's	Targets	Actual Performance
1) To maintain an effective system of Quality Assurance 2) To ensure actions agreed by the service are implemented	1) Opinion of External Auditor 2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented	1) Satisfactory opinion 2) 100% for high and significant 90% for medium risk	1) Achieved 2) Significant – Behind target – 94% Behind target - Medium 83% (excluding schools)
Client Satisfaction			
Objectives	KPI's	Targets	Actual Performance
1) To ensure that clients are satisfied with the service and consider it to be good quality	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires 3) Number of Complaints / Compliments	1) Overall average score of better than 1.5 (1=Good and 4=Poor) 2) Results classed as 'Good' 3) No target – actual numbers will be reported	1) On target – 1.1 to date 2) Non undertaken 3) 6 compliments 0 complaints



**AUDIT AND GOVERNANCE COMMITTEE**

**27 March 2015**

**CORPORATE ASSURANCE MAP 2015/2016**

**Report of the Head of Assurance, Procurement and Projects**

**1. Purpose of Report**

- 1.1 To enable the Audit and Governance Committee to consider and comment on the proposed Corporate Assurance Map and the supporting plans for the Internal Audit and Risk and Assurance teams for 2015/16.
- 1.2 For completeness, the report covers Internal Audit's key performance measures. The report does not set out the work undertaken for associated bodies for which the Council has a lead responsibility; this is a matter for the bodies concerned.

**2. Background**

- 2.1 In December each year the Audit and Governance Committee is asked for its comments in relation to the potential areas of work to support the Corporate Assurance Map for the coming year. Any suggestions are considered when developing the Map and the supporting plans of work for Internal Audit and the Risk and Assurance Team. In March of each year the proposed Corporate Assurance Map and plans of work are provided to Committee Members for their consideration.
- 2.2 This report presents the Corporate Assurance Map for 2015/16 and sets out where assurance will be obtained from, including the plans of work for Internal Audit and the Risk and Assurance team. Quarterly update reports will continue to be provided to Members throughout the coming year.

**3. Recommendation**

- 3.1 The Audit and Governance Committee is invited to consider and, if appropriate, make comment on the proposed Corporate Assurance Map and the plans of work for the Internal Audit and Risk and Assurance teams.



## **Corporate Assurance Map 2015/16**

### **1. Introduction**

- 1.1 In order for the Council to ensure that it has robust arrangements for delivering its priorities, managing its affairs and completing its Annual Governance Statement with some certainty, it must have in place three key elements: good Governance, Risk Management and Assurance. The Council's Integrated Assurance Framework provides a comprehensive view on the arrangements in place within the Council.
- 1.2 The Framework brings together assurance from service management, specialist functions which have a corporate role within the Council, the Risk and Assurance Team, Internal Audit and External Bodies.

### **2. Corporate Assurance Map**

- 2.1 The proposed Corporate Assurance Map for 2015/16 is shown overleaf. This highlights those areas that assurance will be provided on, where the assurance is expected to be obtained from and the current assurance level based on work undertaken previously.
- 2.2 As previously, the Map is split into two parts, Strategic Risk Areas which come from the Strategic Risk Profile and Corporate Risk Areas which represent the risk areas that need to be managed for the Council to maintain a strong system of internal control.
- 2.3 Where assurance is expected to be provided from a particular source this is marked with an X. As in previous years the level of assurance provided will be updated based on the results of the work undertaken during the year.

## Corporate Assurance Map

Assurance Position (as at 5 <sup>th</sup> March 2015) (Cumulative)		2014/15									
		1st Line	2 <sup>nd</sup> Line							3 <sup>rd</sup> Line	
		Management Assurance	Other Internal Assurance Activity							Internal Audit	External Assurance
	Legal Services	Financial Resources	Programmes and Projects	Strategy, Policy and Performance	ICT	HR & OD	Business Continuity	Risk and Assurance			
<b>Strategic Risk Areas</b>											
Current Risk	Residual Risk										
People								X			
Place								X			
Economy								X			
Organisational			X					X		X	
<b>Corporate Risk Areas</b>											
Customer Focus / Service		X			X			X	X		
Legality			X					X	X		
Service / Business Planning		X			X			X	X		
Programme and Project Management		X		X				X	X		
Partnerships		X						X			
Business Continuity Planning		X					X	X	X		
Procurement		X						X	X		
Relationship and Contract Management		X						X	X		
Financial Management		X	X					X	X	X	
Human Resource Management		X					X	X	X		
Information Governance		X	X					X	X		
Performance Management		X			X			X	X		
Asset Management		X						X	X		
ICT Strategy and Delivery						X		X			
Fraud and Corruption		X							X		
Risk Management (Service Delivery)		X						X	X		
Schools		X	X					X	X		

Key: X=activity planned, White=no coverage, **Green**=full / substantial assurance, **Amber**=moderate assurance, **Red**=limited / no assurance

- 2.2 The Strategic Risk Areas have been reviewed by the Executive Management Team and will be refreshed with the update of the Council's Corporate Plan.
- 2.3 The current assurance position in relation to the corporate risk areas is either Amber or Green in all cases. This is a positive position given the significant amount of change ongoing within the Council, with a significant movement of experienced staff and changes to procedures and ways of working.
- 2.4 The Map has been prepared based on the work undertaken and reported previously and the planned activity has been developed in consultation with the Chief Executive, all Executive and Corporate Directors and key offers across the Council.
- 2.5 The work to be undertaken by Internal Audit in support of the Map is shown at Appendix 1. The appendix shows all of the audits that contribute to providing assurance against each risk area (some audits provide assurance to more than one risk area).
- 2.6 The plan of activity for the Risk and Assurance team is shown at Appendix 2. This is a high level plan as much of the work of the team cannot be planned in detail. The team will be involved in providing support, challenge and assurance to all of the major projects ongoing, especially those considering alternative service delivery models, transformation and other key projects which contribute to the Council's achieving its strategic priorities and achieving its efficiency savings.
- 2.7 Performance measures for the Internal Audit team are shown at Appendix 3.

### **3. Key Areas of Activity**

- 3.1 As in previous years the level of change ongoing within the Council will continue to be significant. The Risk and Assurance Team will continue to provide support and assurance in relation to key projects where there are major changes to services and where alternative models of delivery are being planned.
- 3.2 A significant amount of work is on-going within the Council in relation to the future financial savings that are required and how these may be met. Support will be provided to this work during the planning and implementation phases.
- 3.3 The work of the Risk and Assurance team includes obtaining assurance on the progress in relation to the actions identified to manage risks in the Strategic Risk profile. In relation to Economic Development progress will be monitored in relation to the following, with detailed assurance work being undertaken in some areas:
- City Deal / Enterprise Zone.
  - Development projects such as the New Wear Crossing and the SSTC phase 3.
  - Port

- 3.4 Internal audit work is undertaken in new models where the Council is the owner or has the controlling interest such as Sunderland Care and Support Ltd and the contract management arrangements with joint ventures such as the LABV. Internal Audit will also be reviewing the effectiveness the Multi Agency Safeguarding Hub which has been established to improve the way different agencies co-ordinate activities to safeguard vulnerable adults and children.
- 3.5 There will be a significant amount of change in relation to Adults Social Care with the implementation of the Care Act and the integration of services with the health sector through the Better Care Fund. This will result in a significant workload for the People Directorate which will be supported by the Risk and Assurance Team.
- 3.6 The significant change within the Council brings demands on services such as the ICT Unit. Dedicated resource will be committed to ensuring the Council's ICT infrastructure is robust as well as supporting the review of how the service will be delivered to meet the demands placed upon it in the future.
- 3.7 The cycle of audits of key systems and counter fraud will continue.

#### **4. Developments for the coming year**

- 4.1 It is planned that assurance arrangements within directorates and within the specialist functions will continue to be developed throughout the year.

#### **5. Reporting Protocols**

- 5.1 A quarterly progress report will be presented to the Committee. The update reports will indicate the level of assurance provided and any major findings arising from the work undertaken. Any areas requiring improvement will be highlighted to Members for them to consider, and highlighted to the relevant Executive Director.
- 5.2 An Annual Report (including the year end Corporate Assurance Map) will be prepared for the Audit and Governance Committee in order to provide assurance or otherwise, and enable the Annual Governance Statement to be completed.



Detailed Audit Coverage

Corporate Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	Audits Planned 2015/16
Customer Focus	33%	Area is now a key part of the transformation of the Council and central to delivery of the corporate outcomes. Various audits to include a customer focus aspect.	Community and Family Wellbeing (15 days) Adoption Service (12 days) Multi Agency Safeguarding Hub (15 days) Safeguarding and Quality Assurance Unit (15 days) Commissioning (20 days) Accounting / General Ledger (8 days) Personal Budgets (12 days)
Legality	31% (increased from 25%)	Audit to review compliance with Constitution following changes	Compliance with Constitution (15 days)
Service / Business Planning	68% (increased from 46%)	Audit of development of the 5 year plan in relation to the Council's savings targets and strategic priorities.  Audit of People Commissioning Team planned to review the new integrated arrangements	Community and Family Wellbeing (15 days) Adoption Service (12 days) Multi Agency Safeguarding Hub (15 days) Commissioning (20 days) Corporate Service Planning Arrangements (12 days)
Programme and Project Management	53% (increased from 42%)	Audit of development of the 5 year plan in relation to the Council's savings targets and strategic priorities.	Corporate Service Planning Arrangements (12 days) Capital Programme Funding and Monitoring (15 days)
Partnerships	48%	Follow Up work from recent audit will be carried out.	Follow up work only
Business Continuity and Emergency Planning	41%	Audit of Major Incident Plan	Emergency Planning (8 days)
Procurement	30%	Internal Audit to continue to review a sample of procurements to ensure compliance with PPRs.	Commissioning (20 days) Revenue Procurement (8 days)

Corporate Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	Audits Planned 2015/16
Relationship and Contract Management	58% (increased from 53%)	To review client arrangements for ASDMs	LABV (15 days) Leisure Contract Management (10 days) Commissioning (20 days) Capital Programme Funding and Monitoring (15 days)
Financial Management	46%	Annual transaction testing on key financial systems.  Periodic review of corporate systems as agreed with s151 officer.	EFA / SFA Funding (2 days) Local Transport Capital / Integrated Transport Grants (10 days) Troubled Families Performance Reward Grant (2 days) Personal Budgets - Resource Allocation System (12 days) Direct Payments (5 days) Port Income (12 days)
<i>Local Taxation</i>	22%	Review standard procedures on a periodic basis as agreed with the s151 officer and annual substantive testing.  Annual transaction testing by Internal Audit.	Commissioning (20 days) Corporate Service Planning Arrangements (12 days) Personnel Administration Arrangements (12 days) LABV (15 days) Accounting / General Ledger (8 days) 18 schools (51 days in total) Capital Programme Funding and Monitoring (15 days)
<i>Payroll</i>	40% (increased from 23%)	Periodic review of central systems and annual transaction testing /counter fraud work. Additional payroll work required re implementation of the new Pay and Grading arrangements.	BACS Processing (4 days) Cash Receipting (10 days) Accounts Payable (20 days) Accounts Receivable (5 days) Periodic Income (5 days)
<i>Housing Benefits</i>	32%	Periodic review of central systems and annual transaction testing /counter fraud work.	Benefits Administration (25 days) Business Rates – Liability / Revised Billing (8 days) Enforcement Section (12 days) Payroll (30 days) Revenue Procurement (8 days)
Human Resource Management	48%	Audit to review the arrangements for grading of new posts in future.  Audits to review the level of compliance with corporate HR policies.	SAP Organisation Structures (12 days) Induction Procedures (6 days) Code of Conduct & Whistle Blowing (7 days) Personnel Administration Arrangements (12 days)

<b>Corporate Risk Area</b>	<b>Internal Audit Risk Assessment (Residual Risk)</b>	<b>Implication for the Audit Plan</b>	<b>Audits Planned 2015/16</b>
Information Governance	57% (increased from 55%)	Audit to review progress against improvement plan. To include physical security checks.	Corporate Information Governance Arrangements (20 days) Multi Agency Safeguarding Hub (15 days)
Performance Management	47%	Undertake Internal Audit work following Safeguarding Inspection to monitor implementation of any agreed actions.	Multi Agency Safeguarding Hub (15 days) Community and Family Wellbeing (15 days) Capital Programme Funding and Monitoring (15 days) Safeguarding and Quality Assurance Unit (15 days)
Asset Management	53%	Internal Audit to review LABV Client Arrangements.	LABV (15 days) Corporate Asset Management Arrangements (8 days)
ICT Strategy and Delivery	62%	Risk and assurance team are heavily involved in ICT work to ensure that the risks are appropriately identified and managed, including follow up work relation to internal audit work.	None, work to be undertaken by the Risk and Assurance Team
Fraud and Corruption	29%	Counter fraud testing based on fraud risk assessment.  Dedicated Internal Audit resource to identify fraud.	Direct Payments (5 days) BACS Processing (4 days) Cash Receipting (10 days) Accounts Payable (20 days) Accounts Receivable (5 days) Periodic Income (5 days) Benefits Administration (25 days) Business Rates – Liability / Revised Billing (8 days) Enforcement Section (12 days) Payroll (30 days) Revenue Procurement (8 days)

Corporate Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	Audits Planned 2015/16
Risk Management (service delivery)	24%	<p>The strategic risk profile is based on the Council's priority outcomes. Risk and Assurance team provide assurance on the mitigating actions.</p> <p>Assurance plans are developed in line with the risk registers to assess how robust risk management arrangements are.</p>	None planned
Schools	30% (increased from 27%)	<p>Transaction Testing to be carried out to gain assurance over the monies spent in schools.</p> <p>Themed work in addition to cover specific areas each year.</p> <p>Risk and Assurance attend the Joint Intelligence Meeting for schools.</p>	18 schools (51 days in total)

## Risk and Assurance Plan

Area of activity	Estimated Days
Strategic Risk Profile (creation, review, monitoring and reporting)	100
Supporting Alternative Service Delivery Models	200
ICT – Strategy and key projects	210
Adult Social Care developments / safeguarding of adults and children	220
Workforce Transformation Project	30
Supporting and providing assurance on Key Transformation and Savings Programmes Projects	400
Risk Management support to Executive Directors and Heads of Service	140
Economic Development (e.g. City Deal, Wear Crossing, SSTC phase 3)	200
Financial Appraisals	30
General Advice, Guidance and Support regarding service developments	80



## Internal Audit and Counter Fraud Unit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2014/15

## Efficiency and Effectiveness

Objectives	KPI's	Targets
1) To ensure the service provided is effective and efficient.	1) Complete sufficient audit work to provide an opinion on the corporate risk areas 2) Percentage of draft reports issued within 15 days of the end of fieldwork 3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report) 4) Cost per £m Turnover	1) All corporate risk areas covered over a 3 year period 2) 90% 3) 80% 4) Lower than average within CIPFA Benchmarking Club

**Internal Audit and Counter Fraud Unit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2014/15**

**Quality**

<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>
1) To maintain an effective system of Quality Assurance	1) Opinion of External Auditor	1) Satisfactory opinion
2) To ensure recommendations made by the service are agreed and implemented	2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented	2) 100% for high and significant. 90% for medium risk

**Client Satisfaction**

<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>
1) To ensure that clients are satisfied with the service and consider it to be good quality	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires 3) Number of Complaints / Compliments	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor) 2) Results classed as 'Good' 3) No target – actual numbers will be reported



**AUDIT AND GOVERNANCE COMMITTEE**

**27 March 2015**

**Proposed Forward Plan of Reports for 2015/16**

**Report of the Director of Finance**

**1. Purpose of Report**

- 1.1 To enable the Committee to consider and comment on the proposed Forward Plan of reports for 2015/16.
- 1.2 During the year there will be 4 quarterly meetings – at which the Committee will consider the Corporate Assurance Map alongside other reports. An additional meeting is scheduled for February in order to consider the Treasury Management Policy and Strategy for the following financial year so that it can be agreed by Cabinet in February and then by Council in March of each year in line with the regulations and best practice.

**2. Recommendations**

- 2.1 Members are asked to consider and agree to the attached proposed Forward Plan of reports.



**Forward Plan of Reports  
Audit and Governance Committee 2015/16**

<b>Month</b>	<b>Brief Description</b>	<b>Report of</b>
26 <sup>th</sup> June 2015	Annual Review of Governance Arrangements / Annual Governance Statement (including Annual Report covering work of Internal Audit and Risk and Assurance teams)	Director of Finance
	Corporate Assurance Map - update	Head of Assurance, Procurement and Projects
	Audit Progress Report	External Auditor
	Annual Report on the Work of the Committee	Director of Finance
	Unaudited Statement of Accounts 2014/15	Director of Finance
	Treasury Management Annual Review 2014/15	Director of Finance
	Treasury Management 2015/16 - First Quarterly Review	Director of Finance
25 <sup>th</sup> September 2015	Corporate Assurance Map – update	Head of Assurance, Procurement and Projects
	Treasury Management 2015/16 – Second Quarterly Review	Director of Finance
	Audit Completion Report 2014/15	External Auditor
	Audited Statement of Accounts 2014/15	Director of Finance
11 <sup>th</sup> December 2015	Treasury Management 2015/16 – Third Quarterly Review	Director of Finance
	Corporate Assurance Map – update	Head of Assurance, Procurement and Projects
	Corporate Assurance Map Consultation 2016/17	Head of Assurance, Procurement and Projects
	Annual Audit Letter 2014/15	External Auditor
	Audit Progress Report	External Auditor
	Certification of Claims and Returns 2014/15	External Auditor
5 <sup>th</sup> February 2016	Treasury Management Strategy and Policy for 2016/17 including Treasury Management Prudential Indicators for 2016/2017 to 2018/2019	Director of Finance
	Audit Progress Report	External Auditor

**Forward Plan of Reports  
Audit and Governance Committee 2015/16**

Month	Brief Description	Report of
18 <sup>th</sup> March 2016	Corporate Assurance Map - update	Head of Assurance, Procurement and Projects
	Corporate Assurance Map – 2016/17 (including Internal Audit Plan, and Risk and Assurance team plan)	Head of Assurance, Procurement and Projects
	Proposed Forward Plan of Reports 2016/17	Director of Finance
	Member Training and Development	Director of Finance
	Audit Strategy Memorandum 2015/16	External Auditor
	Audit Progress Report	External Auditor

Note: Other ad-hoc reports/items shall be added to the Agenda where considered necessary

**AUDIT AND GOVERNANCE COMMITTEE**

**27 March 2015**

**MEMBER TRAINING AND DEVELOPMENT**

**Report of the Director of Finance**

**1. Purpose of Report**

- 1.1 The purpose of this report is to provide members of the Committee with the opportunity to identify areas for which they require any further training / refresher / awareness sessions to be arranged.

**2. Training / Development Requirements**

- 2.1 The agreed forward plan of reports that are to be presented to the Committee throughout the year is included on the agenda for this meeting. This may provide members with a reference for any areas for which they would like to receive further training / awareness sessions. Due to the significant changes that are currently ongoing and being considered across the Council it is proposed that an update be provided at the beginning of the next committee meeting.

**3. Recommendations**

- 3.1 Members are asked to consider the areas for which they would like to receive training or awareness sessions, and:
- Agree to receive an update on significant changes taking place or being proposed at the next Committee meeting.
  - Suggest any further areas for training sessions required.



**AUDIT AND GOVERNANCE COMMITTEE**

**27 March 2015**

**EXTERNAL AUDITOR - AUDIT STRATEGY MEMORANDUM 2014/2015**

**Report of the Director of Finance**

**1. Purpose of the Report**

- 1.1 This report details the external auditor's Audit Plan which notifies the Council of the work that they are proposing to undertake in respect of the audit of the financial statements and the value for money conclusion for the financial year 2014/2015.

**2. Audit Strategy 2014/2015**

- 2.1 The attached Memorandum advises on the scope and nature of this work together with the scale of fee for the 2014/2015 audit and the assumptions that help to inform this charge to the Council.
- 2.2 It is noted that Mazars are to increase their audit fees to £181,032 which is an increase of £1,470 compared to last year's fees but this reflects the cost of additional work required across all Authorities on business rates. The paper also sets out the proposed fees for grant certification work of £10,300.
- 2.3 The Audit Strategy identifies the specific areas for the planned audit work based upon a risk assessment process. The key risk areas of work have been identified as those set out in pages 10 to 12 of the attached document and have been discussed with senior officers.
- 2.4 The document also sets out the protocol the auditors will follow in completing their planned work by providing an audit timeline of key phases of their work and also sets out their proposed methods of communication at each stage.
- 2.5 The auditors will be in attendance to outline the content of the document and to answer any questions that may arise.

**3. Description of Decision**

- 3.1 The Committee is recommended to note the contents of this report.





# Audit Strategy Memorandum

**Sunderland City Council – year ended 31 March 2015**

March 2015



Mazars LLP  
The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

Audit and Governance Committee  
Sunderland City Council  
Civic Centre  
Burdon Road  
Sunderland  
SR2 7DN

11 March 2015

Dear Members

**Audit Strategy Memorandum for the year ending 31 March 2015**

We are delighted to present our Audit Strategy Memorandum for Sunderland City Council for the year ending 31 March 2015.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and provide you with the details of our audit team. It is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, and Appendix A summarises our considerations and conclusions on our independence as auditors.

We value two-way communication with yourselves and we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion through which we can also understand your expectations.

This document will be presented at the Audit and Governance Committee meeting on 27 March 2015. If you would like to discuss any matters in more detail please do not hesitate to contact me on 0191 383 6300.

Yours faithfully

Mark Kirkham  
Director, for and on behalf of Mazars LLP

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Our reports are prepared in the context of the Audit Commission’s ‘Statement of responsibilities of auditors and audited bodies’. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

*Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.*

# 01 Purpose and Background

## Purpose of this document

This document sets out our audit plan in respect of the audit of the financial statements of Sunderland City Council for the year ending 31 March 2015, and forms the basis for discussion at the Audit and Governance Committee meeting on 27 March 2015.

The plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of those charged with governance are defined as to oversee the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process.

We see a clear and open communication between ourselves and you as important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring as part of the two-way communication process that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks you face, which might affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

Appendix C outlines the form, timing and content of our communication with you during the course of the audit. Appendix D sets out forthcoming accounting and other issues that will be of interest.

## Scope of engagement

We are appointed to perform the external audit of your accounts for the year to 31 March 2015. The scope of our engagement is laid out in the Audit Commission's Code of Audit Practice for Local Government bodies.

## Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out our respective responsibilities as the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and we undertake our audit work to meet these responsibilities.

We comply with the statutory requirements governing audit work, in particular the:

- Audit Commission Act 1998; and
- Code of Audit Practice for Local Government bodies.

We, as auditors to Sunderland City Council, are responsible for forming and expressing an opinion on the financial statements and reaching a conclusion on the arrangements you have put in place to secure economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion).

We are also required to report on the consistency of your Whole Government Accounts submission with the audited financial statements.

Our audit does not relieve management nor the Audit and Governance Committee, as those charged with governance, of their responsibilities.

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK and Ireland) we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

### Significant matters considered

As part of our risk based approach to planning we consider a number of key performance and control environment features together with external developments. The following paragraphs set out some of the key aspects for 2014/15.

#### Performance and control environment

We use the Council's latest financial monitoring reports and medium term financial plan to consider the current financial position. The following table summarises in year activity to date.

Area	Budget	Projected year end	Use of reserves	General Fund Balance at year end
Net revenue expenditure	£246.4m	£246.4m	£0	£7.57m (previous year £7.57m)
Capital expenditure	£80.7m	£95.1m	n/a	n/a

Ongoing pressure on the public finances presents significant challenges for the Council and the need to plan for further reductions in spending power, coupled with increased demand for services.

The council needs to deliver a further £36m of reductions in 2015/2016 and potentially a further £108m in the following four years. This is against a backdrop of £171m of reductions already required in the period 2010/11 to 2014/2015.

As at the end of December 2014, the latest budget forecasts for 2014/15 showed that £31.8m of reductions had been achieved against a total savings requirement for the year of £35.5m, with plans in place that aim to deliver the remaining savings by the year end and with no adverse impact on the Council's overall financial position. While funding reductions have reduced the resources available to the Council, increased service demand in some key areas such as children's safeguarding has created additional financial pressures during the year.

The Council has sustained a significant capital programme of almost £100m in 2014/15, with a further £112m investment planned for 2015/2016. It also has a range of earmarked reserves for specific plans and projects that will help the Council to deliver its priorities. These reserves provide some flexibility if the Council needs to invest to save, for example, but there is a recognition that reserves can not be used to sustain services and the underlying budget reductions identified will need to be delivered. A move towards a five-year financial planning position has been adopted by the Council for 2015/16 onwards.

## External developments

The Council has to prepare its financial statements in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom. There have been a number of minor changes to the Code for 2014/15 which include:

- changes to group accounts standards IFRS10 consolidated financial statements, IFRS11 joint arrangements and IFRS12 disclosure of interests in other entities – possible changes to accounting treatment due to changes in definition of control and classification; and
- accounting for schools with continuing debate about the impact of a change in the single entity definition, new CIPFA guidance and the need to disclose critical judgements.

# 02 Audit scope, approach and timeline

## Audit scope

Our audit approach is designed to provide you with an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards of Auditing (UK and Ireland) and in accordance with the Code of Audit Practice for Local Government Bodies. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

## Audit approach

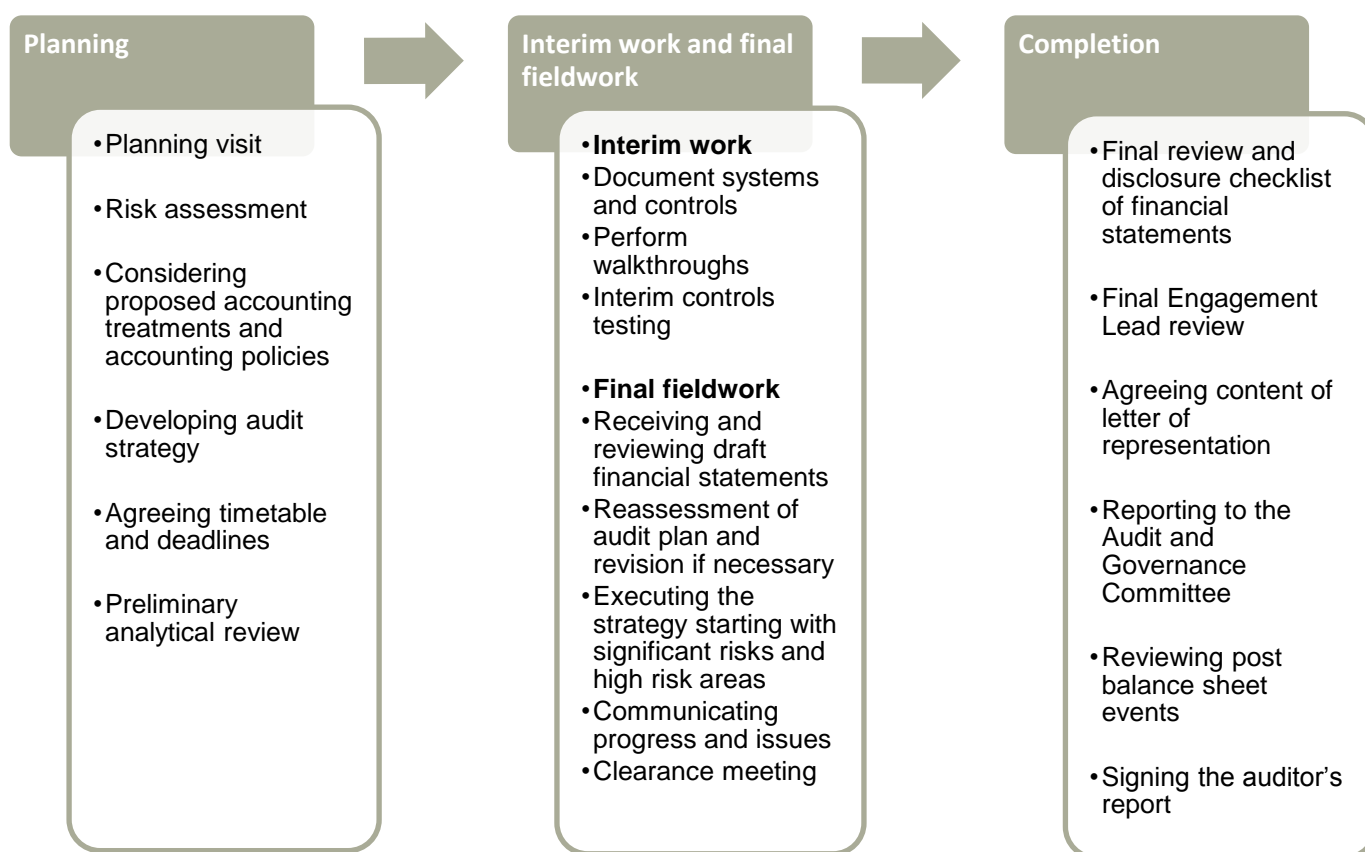
We apply a risk-based audit approach primarily driven by the matters we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment we develop our audit strategy and design audit procedures in response to this assessment. The work undertaken could include a combination of the following as appropriate:

- testing of internal controls;
- substantive analytical procedures; and
- detailed substantive testing.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Materiality and misstatements are explained in more detail in Appendix B.

The diagram overleaf outlines the procedures we perform at the different stages of the audit.



## Reliance on Internal Audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

## Reliance on other auditors

There are material entries in your financial statements where we will seek to place reliance on the work of other auditors.

Items of account	Other auditor	Nature of assurance to obtain from the auditor
Defined benefit liability and associated IAS 19 entries and disclosures	PWC	We have agreed a programme of work with PWC and a timetable for the receipt of relevant information.



## Service organisations

We are required to assess whether there are any material entries in your financial statements where the Council is dependent on an external organisation. We call these entities service organisations. There are no such service organisations for the Council where we need to carry out special procedures.

## The work of experts

We plan to rely on the work of the following experts:

Items of account	Management's expert	Our expert
Defined benefit liability and associated IAS 19 entries and disclosures	Actuary (Aon Hewitt) – other staff pensions	Audit Commission's consulting actuary (PWC)
Property, plant and equipment valuations	Internal valuer from Sunderland City Council	Audit Commission's consulting valuer (Gerald Eve)
Financial instruments – fair value disclosures	Capita (Treasury Management Advisor)	Audit Commission – national consideration of the use of Capita

## Group audit approach

In line with International Accounting Standards, local government bodies are required to consider interests in other entities and whether those interests might necessitate the production of group financial statements. The Council has determined that group financial statements are required in respect of its wholly owned subsidiaries Sunderland Care and Support Ltd and Sunderland Live Ltd, and its investment in Siglion LLP. We have planned our 2014/15 audit to include:

- liaising with the auditors of the subsidiary companies to obtain the necessary information, including taking into account any risks they have identified;
- undertaking reasonableness checks on the information to be included in the statements in relation to Siglion LLP, which will not have been subject to an external audit at the time of preparation of the Council's group statements. We will also assess the controls that management have put in place over the information to be included and assess the potential impact on our audit work; and
- the audit of the group accounts, ensuring appropriate consolidation adjustments and disclosures.

For members' information, Mazars LLP are the external auditors of Sunderland Care and Support Ltd, and provide accounts preparation and tax services to this subsidiary of the Council.

## Timeline

The diagram below sets out the timing of the key phases of our audit work. We will communicate with management throughout the audit process and will ensure significant issues identified are communicated to those charged with governance on a timely basis.



# 03 Significant risks

We have performed our planning procedures, including risk assessment, as detailed in section 2. In addition, we met with management as part of the audit planning process to discuss the risks that, in management's opinion, the Council faces and have considered the impact on our audit risk. The risks that we identify as significant for the purpose of our audit are the risks of material misstatement that in our judgement require special audit consideration.

We set out below the significant audit risks identified as a result of these meetings and planning procedures which we will pay particular attention to during our audit in order to reduce the risk of material misstatement in the financial statements.

## Audit risks

### Management override of controls

#### Description of the risk

International Standards on Auditing (ISA) 240 – *The auditor's responsibility to consider fraud in an audit of financial statements* requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud. In all entities, management at various levels is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we will address this risk

We will address this risk through performing audit work on:

- consideration and review of accounting estimates impacting amounts included in the financial statements;
- consideration and review of any unusual or significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

### Revenue recognition

#### Description of the risk

In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Council's range of revenue sources we have concluded that there are insufficient grounds for rebuttal in 2014-15. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.

#### How we will address this risk

We will evaluate the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. We will also undertake a range of substantive procedures including:

- testing receipts in March and April 2015 to ensure they have been recognised in the right year;

- testing adjustment journals; and
- obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.

### Pension Estimates (IAS 19)

#### Description of the risk

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

#### How we will address this risk

We will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we will:

- evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; and
- consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the Audit Commission.

### Accounting for the Council's investment in Siglion LLP

#### Description of the risk

The Council has transferred the majority of its rental properties to Siglion LLP in return for loan notes and an equity share in the LLP. The values involved are material to the Council's statements. The accounting entries required for this transaction are still to be clarified, and will require an assessment of the treatment of revenue and capital transactions. Judgements will need to be exercised around the valuation of assets.

#### How we will address this risk

We will review the Council's proposed accounting treatment and assess it against the requirements of the CIPFA Code of Accounting Practice and International Accounting Standards, as well as the Capital Financing Regulations (2003, as amended).

# 04 Value for Money Conclusion

We are required to reach a conclusion on your arrangements to secure economy, efficiency and effectiveness in the use of your resources.

Our conclusion on your arrangements is based on two criteria, specified by the Audit Commission:

- securing financial resilience – focusing on whether you are managing your financial risks to secure a stable financial position for the foreseeable future; and
- challenging how you secure economy, efficiency and effectiveness – focusing on whether you are prioritising your resources within tighter budgets and the need to improve productivity and efficiency.

We set out below the significant risks that we will address through our work.

## VFM risk

### Description of the risk

The Council faces financial pressures from reduced funding and continues to identify plans to deliver future savings. Without robust budgetary control and delivery of its action plans, the Council's financial resilience and service performance could deteriorate.

### How we will address this risk

We will review budget monitoring and reporting, focusing on areas where action plans are in place to make savings and seek to minimise any adverse impact on service delivery. We will review the plans that are developed to deliver savings.

# 05 Your audit team

Below are your audit team and their contact details.

Engagement lead  
(Director)

- Mark Kirkham
- [mark.kirkham@mazars.co.uk](mailto:mark.kirkham@mazars.co.uk)
- 0191 383 6300 or 07747 764 529

Engagement manager  
(Senior Manager)

- Gavin Barker
- [gavin.barker@mazars.co.uk](mailto:gavin.barker@mazars.co.uk)
- 0191 561 1917 or 07896 684 771

Team leader (Assistant  
Manager)

- Cathie Eddowes
- [catherine.eddowes@mazars.co.uk](mailto:catherine.eddowes@mazars.co.uk)
- 0191 561 1918 or 07881 283 344

# 06 Fees for audit and other services

Our audit fees for the audit of the financial statements and for any assurance or other services are outlined in the tables below.

Area of work	2014/15 Proposed fee	2014/15 Scale Fee	2013/14 Actual fee
Code audit work	£181,032	£181,032	£183,802
Certification work	£10,300	£10,300	£12,412
<b>Total fee</b>	<b>£191,332</b>	<b>£191,332</b>	<b>£196,214</b>

*All fees exclude VAT*

## Non-audit services

We have already completed the following non-audit services as part of the 2014/15 audit:

- Review of teachers' pensions return, £2,750 (excluding VAT)
- Review of 256 Agreements, £5,205 (excluding VAT)

We do not currently plan any further non-audit services, and no other audit or non-audit services are provided to the Authority by Mazars LLP associated entities. If additional work is required we will report this to the Audit and Governance Committee in our regular audit progress reports.

# Appendix A - Independence

We are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the Auditing Practices Board's Ethical Standards. In addition we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement:

- there are no relationships between us and any of our related or subsidiary entities, and
- you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team who are required to rotate off a client after a set number of years; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement lead.

We wish to confirm that in our professional judgement, as at the date of this document, we are independent and comply with UK regulatory and professional requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Kirkham, Engagement Lead.

Prior to the provision of any non-audit services the Engagement Lead will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.



# Appendix B – Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We have set materiality at the planning stage at £7.57m with a clearly trivial threshold of £227k below which identified errors will not usually be reported. We have set lower materiality levels for the disclosure of officer remuneration and emoluments and members' allowances as we consider these items to be of specific interest to users of the accounts sufficient to warrant audit procedures which would not otherwise be applied based on the materiality level for the audit as a whole. The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We discuss with management any significant misstatements or anomalies that we identify during the course of the audit and we report in our Audit Completion Report all unadjusted misstatements we have identified other than those which are clearly trivial, and obtain written representation that explains why these remain unadjusted.

# Appendix C – Key communication points

ISA 260 'Communication with Those Charged with Governance' and ISA 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## **Form, timing and content of our communications**

We will present to the Governance Committee the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Annual Audit Letter.

These documents will be discussed with management prior to being presented to the Governance Committee and their comments will be incorporated as appropriate.

## **Key communication points at the planning stage as included in this Audit Strategy Memorandum**

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our independence;
- Responsibilities for preventing and detecting errors;
- Materiality; and
- Fees for audit and other services.

## **Key communication points at the completion stage to be included in our Audit Completion Report**

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Unadjusted misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

# Appendix D – Forthcoming accounting and other issues

The 2014/15 CIPFA Code of Practice on Local Authority Accounting (the Code) has made several changes, of which you should be aware. We provided workshops explaining these changes and invited officers from Sunderland City Council responsible for preparing the Council’s financial statements. The workshops provided full details of the changes in the 2014/15 Code, as well as a forward look to potential future accounting changes that may be of relevance to the Authority. If you require detailed information on any of these changes or any other emerging issues, please contact any member of the engagement team.

## Forthcoming accounting issues

Accounting for schools	How this may affect the Council
The 2014/15 Code has changed the way in which local authorities must account for maintained schools. The income, expenditure, assets, liabilities, reserves and cash flows of all local authority maintained schools must now be included in the Council’s own single entity accounts for the first time. Where the impacts of this are material, the previous year’s statements must be restated to take account of the change.	Members may be aware that CIPFA has been looking into the accounting treatment for schools assets (principally school buildings) as a result of a continuing qualification on the Whole of Government Accounts arising from the inconsistent recognition of these assets on local authority balance sheets. CIPFA has issued guidance to Councils for 2014/15 in relation to the assessment and subsequent accounting for schools assets. We have discussed this guidance with officers to identify the Council’s intentions in relation to the recognition of maintained schools assets
Transport infrastructure assets	How this may affect the Council
It is anticipated that the measurement basis for the Council’s Transport Infrastructure Assets will change from depreciated historic cost to depreciated replacement cost in 2016/17, with prior period restatement required. It is likely that the impact of this change will be significant and that the value of these assets on the Council’s balance sheet will significantly increase.	We are aware that the Council has been doing work to meet the significant challenges that it faces in introducing this change in measurement basis and we have engaged with them at an early stage to provide advice and assistance where required.
Early deadlines	How this may affect the Council
The Government had signalled its intention to bring forward the deadlines for local authorities to produce their unaudited statements of account to 31 May from the 2017/18 financial year. The deadline for the completion of the audit will also move forward to 31 July.	The impact of this change on local authorities and their auditors are significant and we have begun to discuss how we will meet the challenges the new dates place on us all with Council officers.

Group Accounts	How this may affect the Authority
Module 9 of the 2014/15 Code Guidance Notes has been updated to reflect changes in group accounting standards.	The Council produced group accounts for the first time in 2013/14. The Council will need to consider the impact on the statements of the establishment of Siglion during the 2014/15 year.
Property, Plant and Equipment (PPE)	How this may affect the Authority
The 2014/15 Code Guidance Notes have clarified requirements for regular valuations of property, plant and equipment set out in IAS 15.	Whilst the Code allows 5-yearly valuations it makes it clear that the requirement to ensure that carrying values are materially correct takes precedence. This means that the Valuer needs to provide evidence that the value of PPE at 31/3/15 is not materially different from the date of the last physical valuation. This could include reference to appropriate indices, sample valuations and impairment reviews.
Fair Value accounting from 2015/16	How this may affect the Authority
IFRS 13 sets a new framework for determining fair values from 1 April 2015.	No impact on 2014/15. However, if any assets are held as surplus assets from 2015/16 onwards (e.g. vacated premises) they will need valuing at market value rather than existing use value.

**AUDIT AND GOVERNANCE COMMITTEE**

**27 March 2015**

**EXTERNAL AUDITOR - AUDIT PROGRESS REPORT**

**Report of the Director of Finance**

**1. Purpose of Report**

- 1.1 To enable the Committee to consider and comment upon the external auditors' regular Audit Progress Report covering the period up to March 2015.
- 1.2 The report will be presented by Gavin Barker, the Authority's Senior Engagement Manager.
- 1.3 The reports are a regular feature on this agenda and are aimed at providing updates of the progress made by our external auditor in meeting and fulfilling their role and responsibilities to the Authority.
- 1.4 Members will be aware from the earlier item on the agenda that the Audit Strategy Memorandum 2014/2015 has been finalised which sets out the main risks identified by the auditor for both the Authority's Statement of Accounts and Value for Money opinion for 2014/2015. These risks are however considered common for an authority of our type and size.
- 1.5 The report also highlights emerging issues and developments that may be of interest to members in their role on the Audit and Governance Committee.

**2. Recommendations**

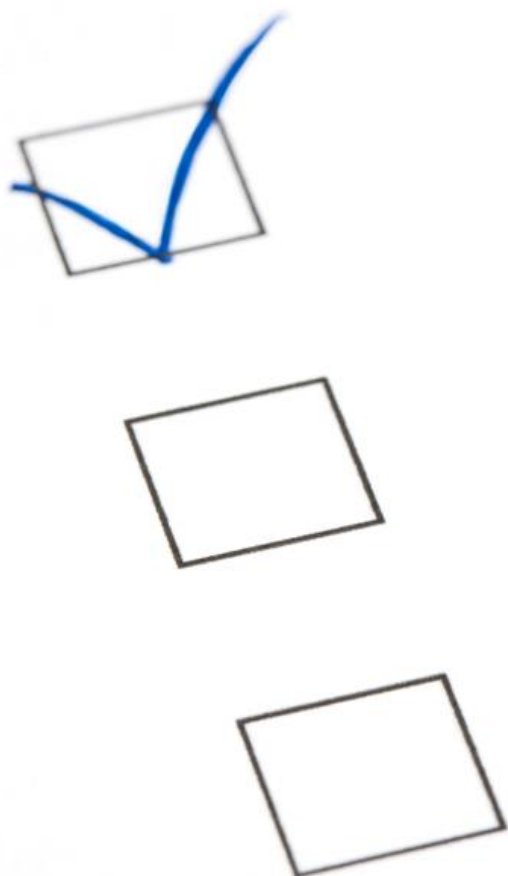
- 2.1 Members are asked to note the attached report.



# Sunderland City Council

## Audit Progress Report

March 2015



# Contents

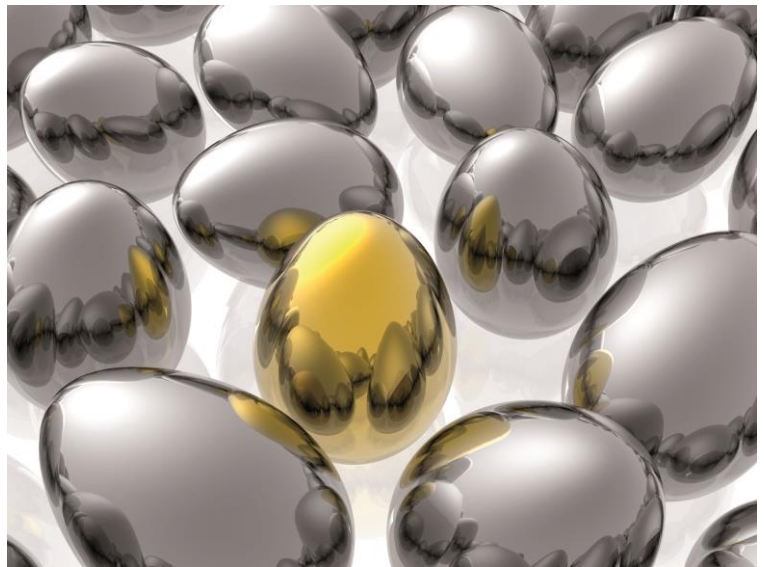
- 01 Purpose of this paper
- 02 Summary of audit progress
- 03 Emerging issues and developments
- 04 Contact details

Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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# 01



## Purpose of this paper

This paper updates the Audit and Governance Committee on our progress in meeting our responsibilities as your external auditor. It also highlights key emerging national issues and developments which may be of interest to you.

If you require any further information please contact your Engagement Lead or Senior Manager using the contact details at the end of this update.

# 02

## Summary of audit progress



### **2014/15 Audit Planning**

We have now completed our audit planning and our Audit Strategy Memorandum is also on the agenda for this meeting. This document sets out the risks we have identified for both the opinion on the financial statements and the value for money conclusion, and our overall approach to the audit.

Our detailed work is now underway.

### **Accounts workshops for officers**

In February 2015, Mazars provided a workshop for finance staff on accounting and auditing issues relating to the closedown and preparation of the 2014/15 statement of accounts. These workshops were well attended and well received by our clients. Some of your officers attended the workshop.

This year we are providing additional workshops on other areas of technical relevance, such as infrastructure and group accounts.

# 03

## Emerging issues and developments



It is not long since the last Audit and Governance Committee meeting, so there are relatively few developments to refer to.

The Audit Commission closes on 31 March 2015.

Pages 6 to 8 below are an extract from the Audit Commission's website which explains how its current functions will be discharged after it closes from 1 April 2015.

## **Future of Local Audit**

In August 2010, the Department for Communities and Local Government (DCLG) announced plans to put in place new arrangements for auditing England's local public bodies.

### **Local Audit and Accountability Act 2014**

The Act received Royal Assent on 30 January 2014. The Act makes it possible for the Audit Commission to close, in line with Government expectations, on 31 March 2015, 30 years after it was established.

Several of the Commission's functions will continue after its closure.

### **Management of audit contracts**

An independent company created by the Local Government Association (Public Sector Audit Appointments Limited) will be responsible for overseeing the Commission's current external audit contracts with audit firms from 1 April 2015 until December 2017 or up to 2020. It will manage the contracts and exercise statutory powers to appoint auditors, set and determine fees, and to make arrangements for housing benefit subsidy certification.

The professional conduct of auditors will continue to be regulated by the professional accountancy bodies. From 2017 or up to 2020, Recognised Supervisory Bodies will determine the eligibility of local public auditors and register them and, in turn, they will be recognised and supervised by the Financial Reporting Council.

The Financial Reporting Council's Audit Quality Review team will monitor the local public audits carried out by auditors through new regulatory arrangements.

*Source: Audit Commission website*

## **Grant certification**

The role of making arrangements for housing benefit subsidy certification will transfer to Public Sector Audit Appointments Limited from 1 April 2015. It is intended that this role will continue until housing benefit is rolled into Universal Credit, or until the audit contracts end – whichever happens first. The independent company will not have a role in relation to the certification of other grant claims.

## **Code of Audit Practice**

The National Audit Office will produce and maintain the Code of Audit Practice and provide supporting guidance to auditors from 1 April 2015.

## **Whistleblowing**

The Comptroller and Auditor General will be a prescribed person to whom whistleblowing disclosures can be made in respect of local public bodies under the Public Interest Disclosure Act 1998 from 1 April 2015. Appointed auditors retain their status as a prescribed person under the Act.

## **National Fraud Initiative**

The Audit Commission powers to conduct the National Fraud Initiative will pass to Cabinet Office on the 1st of April 2015, and the NFI will run under Cabinet Office powers from that date onwards. The NFI matches data provided by some 1,300 participating organisations from across the public and private sectors against data provided by other participants, and key data sets provided by government departments and other national agencies, to prevent and detect fraud.

## **Counter fraud**

To preserve the legacy of the Audit Commission's counter-fraud work we will publish relevant counter-fraud tools and outputs online with open access before the Commission closes at the end of March 2015.

## **Provision of information about audit**

The National Audit Office will publish information previously provided by the Audit Commission. The NAO will become the owner of *Council Accounts: A Guide to Your Rights*, often referred to as the guide to the electorate's rights with regard to the audit of their local authority. Public Sector Audit Appointments Limited will continue to publish Auditing the Accounts and quarterly and annual reports on auditor compliance and audit quality.

## **Analytical tools**

Three of the Audit Commission's analytical tools that are primarily maintained to support audit contracts will transfer to Public Sector Audit Appointments Limited and will continue until the end of the current audit contracts: the two Value for Money Profiles Tools (for councils and for fire authorities), and the Audit Fees Comparator Tool. The Financial Ratios Tool is also likely to continue, although arrangements are yet to be finalised.

## **National value for money studies**

Building on its existing work, including in the Health sector, the National Audit Office now also carries out studies which consider the value for money of services delivered by the local government sector.

## **Best value inspections**

The power to carry out Best Value inspections (not exercised by the Audit Commission since 2010) transferred to the Secretary of State for Communities and Local Government on 4 April 2014.

## **Audit Commission historic reports and information**

The National Archives preserves copies of the Audit Commission's website and these are available at [http://webarchive.nationalarchives.gov.uk/\\*/http://audit-commission.gov.uk/pages/default.aspx](http://webarchive.nationalarchives.gov.uk/*/http://audit-commission.gov.uk/pages/default.aspx). For copies of the Commission's past reports you may view these on the National Archives website.

*Source: Audit Commission website*

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## Contact details



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