

## AUDIT AND GOVERNANCE COMMITTEE

### AGENDA

**Meeting to be held in the Civic Centre (Committee Room No. 1) on Friday 18 March 2016 at 1.30pm**

| ITEM   | PAGE |
|--|------|
| 1. <b>Receipt of Declarations of Interest (if any)</b>                     |      |
| 2. <b>Apologies</b>  |      |
| 3. <b>Minutes of the Meeting of the Committee held on 5 February 2016</b>  | 1    |
| (Copy attached.)   |      |
| 4. <b>Corporate Assurance Map 2015/2016 – Update</b>                       | 7    |
| Report of the Head of Assurance, Procurement and Projects (copy attached). |      |
| 5. <b>Corporate Assurance Map – 2016/2017</b>                              | 47   |
| Report of the Head of Assurance, Procurement and Projects (copy attached). |      |
| 6. <b>Proposed Forward Plan of Reports for 2016/2017</b>                   | 61   |
| Report of the Director of Finance (copy attached).                         |      |
| 7. <b>Member Training and Development</b>                                  | 65   |
| Report of the Director of Finance (copy attached).                         |      |
| 8. <b>External Auditor – Audit Strategy Memorandum 2015/2016</b>           | 67   |
| Report of the Director of Finance (copy attached).                         |      |

For further information and assistance, please contact:

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|     |   |    |
|-----|---|----|
| 9.  | <b>External Auditor – Value for Money Risk Assessment 2015/2016</b> | 87 |
|     | Report of the Director of Finance (copy attached).                  |    |
| 10. | <b>External Auditor – Audit Progress Report</b>                     | 99 |
|     | Report of the Director of Finance (copy attached).                  |    |

ELAINE WAUGH  
Head of Law and Governance

Civic Centre  
Sunderland

9 March 2016

**AUDIT AND GOVERNANCE COMMITTEE**  
**Friday 5 February 2016**

**Present:**

Mr G N Cook

Councillors Farthing, Forbes, O'Neil, Speding and Mr M Knowles.

**In Attendance:**

Paul Davies (Head of Assurance, Procurement and Projects), Chris Nevin (Principal Accountant, Financial Resources), Mark Kirkham and 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 Councillor N Wright.

**Minutes**

24. RESOLVED that the minutes of the meeting of the Committee held on 11 December 2015 be confirmed as a correct record.

The Chair reminded Members of the Committee that Steve Walker, the Interim Director of Children's Services had attended a previous meeting to talk about the action being taken to address the issues in Children's Safeguarding which had been identified by Ofsted. However, Steve's secondment had now ended and Ann Goldsmith would be stepping into the role and would provide updates at future meetings.

The Chair advised that Steve Walker had contacted him before he left the authority to outline the current position and he had stated that there was a lot of activity taking place, there had been a number of discernible improvements but that it was only the beginning of a long journey. There had been a distinct improvement at the 'front door' of the system with an amalgamation of the elements of the corporate contact centre, triage and Multi-Agency Safeguarding Hub (MASH) to provide a single point

of entry. There continued to be tricky areas of performance including the number of agency workers being used and services for care leavers.

Councillor Farthing commented that Ann Goldsmith had addressed the Corporate Parenting Board at a meeting earlier in the week and it appeared that the most problematic issue at the moment was the large number of referrals being made to the MASH. The highest number of referrals were made by the Police and there was a need for agencies to tighten up the criteria to ensure that the referrals were appropriate and to reduce the number of 'no further action' cases.

Councillor Farthing also went on to say that she was pleased to see more permanent social workers being recruited and noted that, while there were a number of interim posts in the management structure, a recruitment process for senior managers was currently taking place and she was hopeful that some good calibre candidates would come forward.

The Head of Assurance, Procurement and Projects stated that there had been some interviews for posts within the new Children's Services structure taking place during that week and that Ofsted may make a follow up visit in the next few weeks. Depending on the timescales, Ann Goldsmith could possibly provide an update on the visit at the next Committee meeting as well as the Improvement Plan.

Councillor Forbes stated that she felt the MASH was a problem in itself and that no one seemed to take responsibility when there was a multi-agency approach and without responsibility, it was difficult to make improvements.

### **Treasury Management Policy and Strategy 2016/2017 including Prudential 'Treasury Management' Indicators for 2016/2017 to 2018/2019**

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 2016/2017. The report also presented the Prudential 'Treasury Management' Indicators for 2016/2017 to 2018/2019 and asked the Committee to provide comments to the Cabinet and Council on the proposed policy and indicators where appropriate.

The Principal Accountant 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 Prudential Indicators were set out in Appendix 1 of the report and it was highlighted that the Council had to approve the authorised limits for external debt and the operational boundary. Members were advised that the operational boundary acted as a warning indicator and the authorised limit was a limit that should never be breached, as it was a legal requirement to ensure that borrowing did not exceed the calculated maximum limit approved by the Authority in any one year.

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. The Policy and Strategy had to be approved annually by the Council and the Audit and Governance Committee would receive quarterly updates on the performance of the Treasury Management function.

Members were directed to Appendix 2 of the report, the Treasury Management Policy Statement, which set out the Borrowing and Investment Strategies. The Principal Accountant stated that the Council's average rate of borrowing at 3.51% was low in comparison with other local authorities and the rate of return on investments of 0.91% was significantly higher than the benchmark rate of 0.36%. The policy for 2015/2016 had been quite successful and had maintained the continued good performance of the Authority's Treasury Management function.

The Council had set an affordable Borrowing Strategy whilst still having an ambitious Capital Programme and aimed to borrow at the lowest possible interest rates that it could. The Council used highly rated institutions for investments and also made use of in-house reserves to keep the cost of borrowing down and had one of the lowest long term debt rates in the country. 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 2016/2017.

The Principal Accountant highlighted that interest rates had remained very low since March 2009 and it was felt unlikely that these would increase before 2017. When they did rise, rates would begin to rise in small increments, however the Bank of England base rate was unlikely to go above 3% in the medium term. All seven major UK banks had met the EU stress test requirements except RBS and Standard Chartered who both narrowly failed.

In terms of the UK position, there had been an improvement in GDP growth rates, however the country was still running at a budget deficit and relied on trade with the USA and Europe. There were concerns that inflation would remain low and the impact this could have on growth, concerns over sovereign debt levels and concern that, if the EU stimulus was not successful, this may lead to further recession. The introduction of the living wage and the EU referendum was also likely to have a volatile effect on the economy. The Bank of England had issued their quarterly inflation report the previous day and had reported that growth was down by 0.3% on their earlier predictions.

There were no major changes being proposed to the overall Treasury Management Strategy in 2016/2017 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. When making treasury management decisions, the Council received input from Capita, their Treasury Management advisors, but were also informed by their own market intelligence.

Appendix 5 to the report presented further detail on the global economic situation and underlined some potential threats moving forward and that 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. In relation to the banks on the Approved Lending List, Councillor Farthing commented that she had heard that CAF Bank and Charity Bank had considerable funds but queried if these were too small to be considered for the list. The Principal Accountant advised that the Council looked at those institutions with high level credit ratings and the charity banks were not large enough to achieve these ratings. This was the same situation with some building societies which had a strong balance sheet but did not have a high enough credit rating.

Mr Knowles asked about the difference between the operational boundary and the authorised limit for external debt and the Principal Accountant explained that the operational boundary included levels that would be reached if the Council was to take out all the borrowing needed for the Capital Programme over the current and following two years.

Having given the report detailed consideration, it was: -

25. RESOLVED that: -

- (i) the proposed Annual Treasury Management Policy and Strategy for 2016/2017 (including specifically the Annual Borrowing and Investment Strategies) and the Prudential 'Treasury Management' Indicators 2016/2017 to 2018/2019 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.

### **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 2016.

Gavin Barker, the Council's Senior Engagement Manager, presented the report and advised that Mazars had completed their work on the Housing Benefits Subsidy Claim and certified this before the Department for Work and Pensions deadline of 30 November 2015. The external auditors were required to report any errors, however minor, and two issues had been flagged up and had resulted in a reduction in the value of the claim by £63. This small amendment reflected that good arrangements which the Council had in place. The fee payable for this work had been confirmed as £10,300, which was in line with the indicative fee, and Gavin highlighted that this was quite a lot less than that the fee paid by other local authorities.

The audit planning for the 2015/2016 audit year was well underway and the detailed Audit Strategy Memorandum would be presented to the Committee at its next meeting.

The Committee were informed that the National Audit Office had published updated guidance in respect of the Value for Money conclusion and this would mean that the assessment had a new focus but would continue to take into account many of the same aspects which it always had previously. The external auditors would assess against the new criteria as part of their planning approach.

26. RESOLVED that the Audit Progress Report be noted.

(Signed) G N COOK  
Chair





**AUDIT AND GOVERNANCE COMMITTEE**

**18 March 2016**

**CORPORATE ASSURANCE MAP 2015/2016 – 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 assurances gathered from a range of sources and work undertaken by the audit, risk and assurance service during the year; and the performance of Internal Audit.
- 1.2 For completeness, the report covers Internal Audit's key performance measures. The report covers work undertaken for the Council and Council owned companies.

**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 2015 the Committee approved the proposed Corporate Assurance Map for 2015/16 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 22<sup>nd</sup> February 2016, is shown overleaf.
- 4.2 The Map also shows assurance received in relation to the Council's wholly owned companies, Sunderland Care and Support Ltd and Sunderland Live Ltd.

## Corporate Assurance Map

| Assurance Position<br>(Cumulative)   |               | 2015/16              |                                   |                         |             |     |         |                     |                    |                |                    |
|--------------------------------------|---------------|----------------------|-----------------------------------|-------------------------|-------------|-----|---------|---------------------|--------------------|----------------|--------------------|
|                                      |               | 1st Line             | 2nd Line                          |                         |             |     |         |                     |                    | 3rd Line       |                    |
|                                      |               | Management Assurance | Other Internal Assurance Activity |                         |             |     |         |                     |                    | Internal Audit | External Assurance |
|                                      |               | Legal Services       | Financial Resources               | Programmes and Projects | 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                  | 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              |                    |
| <b>Wholly Owned Companies</b>        |               |                      |                                   |                         |             |     |         |                     |                    |                |                    |
| Sunderland Care and Support Ltd      |               | X                    | X                                 |                         | X           |     |         |                     |                    | X              | X                  |
| Sunderland Live Ltd                  |               | 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

- 4.3 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.
- 4.4 A refresh of the Strategic Risk Profile has been started with the Executive Management Team and shall be concluded alongside the production of an updated Corporate Plan for 2016/17.

### Assurance from Internal Audit

- 4.5 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.
- 4.6 There are five audits in the audit plan that are no longer appropriate to undertake in the current financial year. Four of these relate to Children's Services and are subject to change under the improvements currently being made. Future work for Children's Services will be considered once the position / new delivery model becomes clearer. The other audit is in relation to Personnel Administration arrangements where the officers involved are working to implement the results of the Workforce Transformation project (pay and grading review) which is taking priority at this time. It has therefore been agreed to defer this audit into 2016/17. All of the audits which will not now to undertaken are shown in grey in Appendix 2.

### Assurance from Risk and Assurance Team

- 4.7 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 Sunderland Care and Support Ltd and place based services.
  - Major capital schemes such as the New Wear Crossing and the development stage of the SSTC Phase 3 and the International Advanced Manufacturing Park.
  - Providing assurance on the delivery of the Workforce Transformation project (pay and grading review).
  - Risks in relation ICT business objectives and the future of the service.
  - Implementation of the Intelligence Hub.
  - Implementation of the Care Act and Children and Families Act.
  - Replacement of the SWIFT ICT system.

- Information Governance.
  - Adults Safeguarding Board.
  - Governance arrangements and procedures at Sunderland Care and Support Ltd and Sunderland Live Ltd.
- 4.8 As discussed at the last meeting of the Committee, the Risk and Assurance team are currently supporting the Assistant Head of Law and Governance with the completion of the Department for Health's Information Governance Toolkit, in preparation for its sign off by the Assistant Chief Executive, in her role as Senior Information Risk Owner (SIRO). The Toolkit draws together the legal rules and central guidance set out by Department of Health policy in a single standard as a set of information governance requirements, focusing on four key areas of:
- Information Governance Management
  - Confidentiality and Data Protection Assurance
  - Information Security Assurance
  - Care Records Assurance.
- 4.9 Completion of the Toolkit confirms that an organisation can be trusted to maintain confidentiality and security of personal information which once completed will allow the City Council to access NHS patient data and share health and social care information with Health partners. As the Toolkit represents a rigorous, evidence based assessment, that both looks across the whole organisation and at the details of operational practice, this exercise has required a top down review and refresh of the Council's entire Information Governance framework. The Risk and Assurance team's role in this is to evaluate evidence based compliance to gauge the improvements in Information Governance arrangements that the Council has made as a result.
- 4.10 This exercise is aimed at achieving level two attainment, with a focus on social care data. In effect this would mean that the Council is demonstrating that it has appropriately developed its Information Governance framework and structure. At present, the Council is in the position of disseminating revised and refreshed policies and awareness materials to management and staff. Evidence is still being gathered in relation to specific controls in some areas, and regarding operational guidance in place within social care services.
- 4.11 Demonstrating that staff working with personal information are complying with requirements is outside of the current exercise, as this is assessed at level 3. An Improvement Plan project, to ensure that the Council can attain level 3, is currently under way, supported by the Corporate Project Team. It is likely that significant further work is required to implement the level 3 Plan. The implementation of the Improvement plan will be a focus for Risk and Assurance on-going support.

#### Assurance from others within the Council

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

Provision for all on-going financial pressures, including Children's Safeguarding, has been made within the budget planning for 2016/2017 and delivery of the savings plans is being closely monitored through the Implementation Board.

- 4.13 The Assurance from ICT regarding the Council's ICT arrangements has moved from Green to Amber. This is mainly due to the position regarding Disaster Recovery/Business Continuity arrangements for the Council's ICT systems following significant downsizing of the ICT Unit and loss of key personnel. Two reports were subsequently commissioned by the ICT Unit to review the arrangements for Major Incident Planning and Disaster Recovery/Business Continuity within the Unit. Both reports highlighted concerns and made recommendations for improvement which are currently being actively progressed.

#### Assurance from Management

- 4.14 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

- 4.15 Although external assurance regarding key risk areas covered by the Children's Safeguarding OFSTED inspection will remain the same until a further inspection is undertaken, assurance is available regarding progress reported to the Improvement Board in this area. Performance is monitored and reported against 31 indicators. The latest performance report shows improvements in the Red/Amber/Green ratings for the indicators, as follows:

|                   | Green | Amber | Red | N/A |
|-------------------|-------|-------|-----|-----|
| Original Position | 6     | 8     | 16  | 1   |
| Current Position  | 16    | 9     | 6   | 0   |

- 4.16 An extract from the minutes of the last Improvement Board in January 2016, stated that the Commissioner '*noted that in terms of reporting to the Minister, his opinion would be that the improvement journey is satisfactory and that there are 'green shoots of recovery' that are highlighted in the dataset and action plan*'.

4.17 The Map includes assurance from relevant external sources. The results of the external reports in relation to the ICT Unit referred to in paragraph 4.13 above has resulted in Limited Assurance being provided against both the Business Continuity and ICT key risk areas in the Corporate Assurance Map.

#### Overall

4.18 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.

5.2 Performance is on target for all KPI's apart from:

- Percentage of draft audit reports issued within 15 days of the end of the field work – performance of 83% against a target of 90%.
- The percentage of medium risk recommendations implemented for the Council and Schools is shown below:

| <b>Area</b>      | <b>Implementation Rate</b> |
|------------------|----------------------------|
| Council services | 82%                        |
| Schools          | 81%                        |

### **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, except for the arrangements in place for services for children in need of help and protection, children looked after and care leavers, and the effectiveness of the local safeguarding children board.

### **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<br>Dec 2015<br>Lxl | Current<br>Score<br>Feb 2016<br>Lxl | Mitigation and progress to reduce current score  | Residual<br>Score<br>Lxl |
|---|--|--------------------------|-------------------------------------|--|--------------------------|
| <p><b>PE 1</b> Failure to ensure appropriate health and wellbeing services to children and adults, in response to financial pressures</p> | <p>Neil Revely,<br/>ED of People<br/>Services /<br/>Gillian Gibson,<br/>Public Health<br/>Director</p> | <p><b>2x4 = 8</b></p>    | <p><b>2x4 = 8</b></p>               | <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>• Better Care Fund agreement in place</li> <li>• Priority spend on those services that have the greatest impact on health</li> </ul> | <p><b>2x3 = 6</b></p>    |

| Risk Description  | Risk Owner   | Score<br>Dec 2015<br>Lxl | Current<br>Score<br>Feb 2016<br>Lxl | Mitigation and progress to reduce current score  | Residual<br>Score<br>Lxl |
|---|--|--------------------------|-------------------------------------|--|--------------------------|
|   |  |                          |                                     | <ul style="list-style-type: none"> <li>Partnership work ensuring that every <b>contact</b> counts</li> <li>CCG making <b>every contact</b> count</li> </ul>  |                          |
| <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,<br/>Assistant Chief<br/>Executive</p>   | <p><b>3x3 = 9</b></p>    | <p><b>3x3 = 9</b></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> <li>Enhanced area arrangements and ASDMs</li> </ul> | <p><b>1x3 = 3</b></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,<br/>ED of People<br/>Services /<br/>Gillian Gibson,<br/>Public Health<br/>Director</p> | <p><b>3x3 = 9</b></p>    | <p><b>3x3 = 9</b></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 for the People Directorate in place but needs refreshing given new management arrangements for Children’s Services</li> <li>Progress on overarching indicators to be reported to Health &amp; Wellbeing Board</li> </ul>  | <p><b>2x3 =6</b></p>     |



| Risk Description   | Risk Owner  | Score<br>Dec 2015<br>Lxl | Current<br>Score<br>Feb 2016<br>Lxl | Mitigation and progress to reduce current score  | Residual<br>Score<br>Lxl |
|--|---|--------------------------|-------------------------------------|--|--------------------------|
|  |   |                          |                                     | <ul style="list-style-type: none"> <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> <li>• Joint Venture agreement for Leisure includes targets for increasing activity levels</li> <li>• Integrating work with CCG</li> <li>• Better health improvement with planning work</li> <li>• Palantir evidence based approach</li> <li>• Review of licencing policy</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>Neil Revely,<br/>ED of People<br/>Services</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</li> </ul> | <p><b>2x3 = 6</b></p>    |

| Risk Description  | Risk Owner  | Score<br>Dec 2015<br>Lxl | Current<br>Score<br>Feb 2016<br>Lxl | Mitigation and progress to reduce current score  | Residual<br>Score<br>Lxl |
|---|---|--------------------------|-------------------------------------|--|--------------------------|
|   |   |                          |                                     | <ul style="list-style-type: none"> <li>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 launched which prepares young people for employment and successful careers, but no delivery plan in place</li> </ul>  |                          |
| <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,<br/>ED of People<br/>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>Education Leadership Board is in place with 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)</li> </ul> | <p><b>2x3 = 6</b></p>    |

| Risk Description  | Risk Owner   | Score Dec 2015<br>Lxl | Current Score Feb 2016<br>Lxl | Mitigation and progress to reduce current score   | Residual Score<br>Lxl |
|---|--|-----------------------|-------------------------------|---|-----------------------|
|   |  |                       |                               | <p>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</p> <ul style="list-style-type: none"> <li>• Judgment of 'Good' received from the recent FACL OFSTED inspection</li> <li>• Education and Skills Strategy launched which prepares young people for employment and successful careers, delivery plan being developed</li> </ul>   |                       |
| <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><b>3x3 = 9</b></p> | <p><b>3x3 = 9</b></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>• Uncertainty remains over the impact of introduction of "Universal Credit"</li> <li>• Strengthening Families approach being used to address poverty and cohesion issues an being positively supported by the intelligence service</li> <li>• Opportunity that devolution deal brings to work with individuals with needs</li> <li>• Palantir evidence based</li> </ul> | <p><b>2x3 = 6</b></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 / Gillian Gibson, Public Health Director</p> | <p><b>1x3 = 3</b></p> | <p><b>1x3 = 3</b></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</li> </ul>   | <p><b>1x3 = 3</b></p> |

| Risk Description  | Risk Owner   | Score<br>Dec 2015<br>LxI | Current<br>Score<br>Feb 2016<br>LxI | Mitigation and progress to reduce current score   | Residual<br>Score<br>LxI |
|---|--|--------------------------|-------------------------------------|---|--------------------------|
|   |  |                          |                                     | <p>better use of assets that already exist in families and communities</p> <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 to be refreshed given new management arrangements for Children’s Services</li> <li>• Benefits co-ordination with Gentoos regarding people with complex needs</li> <li>• 2 GP federations established to co-ordinate communications with GPs in the City</li> <li>• Continue collaboration and wider scope between Council and CCG work</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,<br/>Assistant Chief<br/>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>• Negative Ofsted report received and improvement plan being developed by external Commissioner</li> <li>• Integrated locality based teams being established</li> <li>• Palantir evidence based approach</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<br>Dec 2015<br>Lxl | Current<br>Score<br>Feb 2016<br>Lxl | Mitigation and progress to reduce current<br>score  | Residual<br>Score<br>Lxl |
|--|---|--------------------------|-------------------------------------|---|--------------------------|
| <b>PL 1</b> The Local Development Framework is not adopted thereby restricting development opportunities for the City                      | Alison Fellows,<br>ED of<br>Commercial<br>Development | <b>2x4 = 8</b>           | <b>2x4 = 8</b>                      | <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 2017/18. Development will not stop in the meantime however.</li> <li>Internal Project Board set up to oversee delivery of Plan and ensure work is adequately resourced.</li> <li>Area Action Plan to be developed in respect of the IAMP site - work is programmed and managed via IAMP governance arrangements.</li> </ul>                  | <b>1x4 = 4</b>           |
| <b>PL 2</b> Failure to deliver our place-shaping activities in a coordinated manner (including economic housing and transport investments) | Alison Fellows,<br>ED of<br>Commercial<br>Development | <b>2x3 = 6</b>           | <b>2x3 = 6</b>                      | <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>Develop and implement City Transport 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> | <b>1x3 = 3</b>           |

| Risk Description  | Risk Owner  | Score<br>Dec 2015<br>Lxl               | Current<br>Score<br>Feb 2016<br>Lxl    | Mitigation and progress to reduce current<br>score   | Residual<br>Score<br>Lxl |
|---|---|--|--|--|--------------------------|
|   |   |  |  | <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Combined Authority (NECA) set up to <ul style="list-style-type: none"> <li>○ Provide leadership and a united voice on key strategic transport issues.</li> <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>○ SCC input into formal NECA workstreams being co-ordinated through officer group with regular reporting and meetings.</li> </ul> </li> <li>• Funding secured for New Wear Crossing - construction commenced</li> <li>• Funding secured for scoping of the IAMP development and work duly programmed</li> <li>• City Transport Strategy has been developed – to be approved Spring 2016</li> <li>• City Housing Strategy in development – draft due to be produced Easter 2016</li> <li>• Potential capital pipeline developed, to focus horizon scanning for external funding opportunities - ongoing</li> </ul> |                          |
| <p><b>PL 3</b> Delivery of capital investment priorities is too slow to realise opportunities available</p> | <p>Alison Fellows,<br/>ED of<br/>Commercial<br/>Development</p> | <p><b>Score</b><br/><b>2x3 = 6</b></p> | <p><b>Score</b><br/><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>1x3 = 3</b></p>    |

| Risk Description   | Risk Owner  | Score Dec 2015<br>Lxl | Current Score Feb 2016<br>Lxl | Mitigation and progress to reduce current score  | Residual Score<br>Lxl |
|--|---|-----------------------|-------------------------------|--|-----------------------|
|  |   |                       |                               | <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Realignment of St Mary's Way and development of city centre square completed, which will support development of the Vaux Site and City Centre.</li> <li>• New Washington Leisure Centre opened.</li> <li>• Creation of the LABV should expedite the delivery of investment priorities, including the Vaux site – LABV now fully operational and working on 3 key sites (Vaux, Seaburn, Chapelgarth)</li> <li>• Vaux planning application for Building 1 and site-wide infrastructure submitted January 2016</li> <li>• Planning applications for Seaburn and Chapelgarth also due to be submitted Spring 2016</li> <li>• Capital programme planning and governance reviewed and new arrangements implemented, linked to funding processes</li> <li>• Other planning applications for the development of key city centre sites expected in early 2016</li> <li>• Masterplanning work being developed on other key city areas e.g. Holmeside, Minster Quarter, Sunnyside, Sheepfolds</li> <li>• College Holmeside campus under construction, due for opening Sept 2016</li> <li>• Sunnyside delivery arrangements under discussion with HCA</li> </ul> |                       |
| <p><b>PL 4</b> Inability to stimulate sufficient inward investment for development projects, particularly in relation to the City Centre</p> | <p>Andrea Winders, ED of Enterprise Development</p> | <p><b>2x3 = 6</b></p> | <p><b>2x3 = 6</b></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</li> </ul>  | <p><b>1x3 = 3</b></p> |

| Risk Description   | Risk Owner                         | Score Dec 2015 Lxl | Current Score Feb 2016 Lxl | Mitigation and progress to reduce current score  | Residual Score Lxl |
|--|------------------------------------|--------------------|----------------------------|--|--------------------|
|  |                                    |                    |                            | <p>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 developed a business plan to invest at least £3.4 m in the city centre over the next 5 years</p> <ul style="list-style-type: none"> <li>• Make it Sunderland campaign continues to promote investment in the City</li> <li>• Inward investment secured in respect of The Bridges, Sunnyside Leisure and a new hotel complex.</li> </ul>                  |                    |
| <b>PL 5</b> The City's infrastructure does not provide appropriate access and movement for all, including those with restricted mobility | Neil Revely, ED of People Services | <b>2x2 = 4</b>     | <b>2x2 = 4</b>             | <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> <li>• Active Travel Plan</li> <li>• Refreshing All Age Friendly City Policy</li> <li>• City Transport Strategy has been developed – to be approved</li> </ul> | <b>2x2 = 4</b>     |
| <b>PL 6</b> Fail to agree and implement a Cultural Strategy and associated action plan   | Neil Revely, ED of People Services | <b>2x2 = 4</b>     | <b>2x2 = 4</b>             | <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> </ul>  | <b>1x2 = 2</b>     |



| Risk Description | Risk Owner | Score<br>Dec 2015<br>Lxl | Current<br>Score<br>Feb 2016<br>Lxl | Mitigation and progress to reduce current<br>score   | Residual<br>Score<br>Lxl |
|------------------|------------|--------------------------|-------------------------------------|--|--------------------------|
|                  |            |                          |                                     | <ul style="list-style-type: none"> <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</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> |                          |

## 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 2015 Lxl | Current Score Feb 2016 Lxl | Mitigation and progress to reduce current score   | Residual Score Lxl |
|--|---|--------------------|----------------------------|---|--------------------|
| <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 | Neil Revely, ED of People Services / Andrea Winders, ED of Enterprise Development           | 2x3 = 6            | 2x3 = 6                    | <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>  | 2x3 = 6            |
| <b>EC 2</b> The City doesn't attract inward investors because of a lack of sites / finance   | Alison Fellows, ED of Commercial Development / Andrea Winders, ED of Enterprise Development | 2x3 = 6            | 2x3 = 6                    | <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>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 (see PL3 above)</li> <li>EZ applications submitted in respect of Port and IAMP</li> <li>Housing Strategy in development - draft due Easter</li> </ul> | 2x3 = 6            |

| Risk Description   | Risk Owner  | Score Dec 2015 Lxl | Current Score Feb 2016 Lxl | Mitigation and progress to reduce current score  | Residual Score Lxl |
|--|---|--------------------|----------------------------|--|--------------------|
|  |   |                    |                            | 2016 <ul style="list-style-type: none"> <li>Review of SCC owned sites in progress</li> <li>SCC site disposal programme underway</li> <li>Regular meetings of public sector partners across City to review separate assets and potential for combined projects</li> </ul>   |                    |
| <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 | Alison Fellows, ED of Commercial Development / Andrea Winders, ED of Enterprise Development | <b>3x3 = 9</b>     | <b>3x3 = 9</b>             | <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 Strategy in development – draft due Easter 2016</li> <li>SCC internal Housing Board set up to provide co-ordination and assurance</li> <li>See comments at EC2 above re sites/assets</li> <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> | <b>2x3 = 6</b>     |
| <b>EC 4</b> Inability to deliver on the New Wear Crossing in line with the planned timescales  | Alison Fellows, ED of Commercial Development  | <b>2x3 = 6</b>     | <b>2x3 = 6</b>             | <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>Construction phase for the new bridge has commenced</li> <li>Contract management strategy and governance arrangements in place, including detailed reporting and assurance arrangements</li> </ul>  | <b>2x3 = 6</b>     |

| Risk Description   | Risk Owner   | Score Dec 2015 Lxl | Current Score Feb 2016 Lxl | Mitigation and progress to reduce current score  | Residual Score Lxl |
|--|--|--------------------|----------------------------|--|--------------------|
| <p><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</p> | <p>Neil Revely, ED of People Services</p>  | <p>2x4 = 8</p>     | <p>2x4 = 8</p>             | <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 assessments of carers for adults and young carers</li> </ul>  | <p>1x4 = 4</p>     |
| <p><b>EC 6</b> Pace and scale of regeneration in the City Centre does not satisfy economic prosperity ambitions</p>                                      | <p>Alison Fellows, ED of Commercial Development and Andrea Winders, ED of Enterprise Development</p> | <p>2x4 = 8</p>     | <p>2x4 = 8</p>             | <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>• Keel Square completed</li> <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.</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, including opening of Keel Square and realignment of St Mary's Way to support the regeneration of the former Vaux site and the wider city centre</li> <li>• Construction started on the new Sunderland College campus on the Holmeside site due to open September 2016</li> <li>• See PL3 above</li> </ul> | <p>1x4 = 4</p>     |

| Risk Description   | Risk Owner  | Score Dec 2015 Lxl    | Current Score Feb 2016 Lxl | Mitigation and progress to reduce current score   | Residual Score Lxl    |
|--|---|-----------------------|----------------------------|---|-----------------------|
| <p><b>EC 7</b> Partners do not have a coordinated approach to supporting, developing and attracting business to the City</p> | <p>Andrea Winders, ED of Enterprise Development</p> | <p><b>2x2 = 4</b></p> | <p><b>2x2 = 4</b></p>      | <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> | <p><b>1x2 = 2</b></p> |

## 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<br>Dec 2015<br>Lxl | Current<br>Score<br>Feb 2016<br>Lxl | Mitigation and progress to reduce current<br>score   | Residual<br>Score<br>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,<br>Director of HR &<br>OD<br>Sarah Reed,<br>Assistant Chief<br>Executive | 3x3 = 9                  | 3x3 = 9                             | <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 allow the Council to 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> | 2x3 = 6                  |
| <b>OR 2</b> Lack of pace, leadership, innovation and commitment resulting in inability to achieve the required outcomes  | Sarah Reed,<br>Assistant Chief<br>Executive  | 2x4 = 8                  | 2x4 = 8                             | <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 developing</li> <li>Sunderland Care &amp; Support Ltd set up in December 2013. Leisure JV live on 1<sup>st</sup> June 2015</li> </ul>  | 1x4 = 4                  |

| Risk Description  | Risk Owner   | Score Dec 2015<br>Lxl | Current Score Feb 2016<br>Lxl | Mitigation and progress to reduce current score  | Residual Score<br>Lxl |
|---|--|-----------------------|-------------------------------|--|-----------------------|
|   |  |                       |                               | <ul style="list-style-type: none"> <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,<br>Director of Finance   | <b>2x4 = 8</b>        | <b>2x4 = 8</b>                | <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 <ul style="list-style-type: none"> <li>Deliver the Business Transformation Programme</li> <li>Deliver Alternative Service Delivery Models</li> <li>Deliver the Workforce Planning project</li> </ul> </li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>MTFS in place</li> <li>Actions being progressed 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> <li>Plans for 2016/17 in place which will be monitored through the Improvement Board.</li> </ul> | <b>1x4 = 4</b>        |
| <b>OR 4</b> Failure to collect, analyse and use intelligence to enable customer insight to inform decision making | Sue Stanhope,<br>Director of HR & OD<br>Sarah Reed,<br>Assistant Chief Executive | <b>2x3 = 6</b>        | <b>2x3 = 6</b>                | <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 deployment phase with specialist resources available to support the introduction of the intelligence approach</li> </ul>  | <b>1x3 = 3</b>        |

| Risk Description  | Risk Owner   | Score Dec 2015 Lxl    | Current Score Feb 2016 Lxl | Mitigation and progress to reduce current score   | Residual Score Lxl    |
|---|--|-----------------------|----------------------------|---|-----------------------|
| <p><b>OR 5</b> Employee engagement falls as a result of ongoing significant changes</p> | <p>Sue Stanhope,<br/>Director of HR &amp;<br/>OD</p> | <p><b>2x3 = 6</b></p> | <p><b>2x3 = 6</b></p>      | <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 with the future financial savings that are required</li> </ul> | <p><b>1x3 = 3</b></p> |



Detailed Internal Audit Coverage

| Key Risk Area               | 2013/14 Audits / Opinions                                |   | 2014/15 Audits / Opinions |   | 2015/16 Audits / Opinions               |   | Scope of 2015/16 Audit  | Overall Opinion |
|-----------------------------|--|---|---------------------------|---|---|---|---|-----------------|
| Customer Focus              | Community and Family Wellbeing - Governance Arrangements | L | Customer Services Network | M | Community and Family Wellbeing          |   | Review of planning and performance management arrangements.   | Moderate        |
|                             | Out of Area Placements                                   | L |                           |   | Adoption Service                        |   | To review the stability of placements prior to adoption.  |                 |
|                             | Web Content Development                                  | M |                           |   | Multi Agency Safeguarding Hub           |   | Review of Information Sharing arrangements, and response to safeguarding incidents / serious case reviews.                    |                 |
|                             | Crisis Loans / Social Fund                               | S |                           |   | Safeguarding and Quality Assurance Unit |   | To review progress against any agreed action plans resulting from Safeguarding Inspection.                                    |                 |
|                             |  |   |                           |   | Commissioning                           | L | Review of working arrangements for the new integrated commissioning arrangements, including contract management arrangements. |                 |
|                             |  |   |                           |   | Accounting / General Ledger             | S | To review the interfaces between SAP, Capita and the Council's website  |                 |
|                             |  |   |                           |   | Personal Budgets                        | L | To review the operation of the new assessment and resource allocation tool  |                 |
| Legality                    |  |   |                           |   | Constitution                            |   | To assess the level of compliance with constitutional requirements following recent changes.                                  | Substantial     |
| Service / Business Planning | Corporate Service/ Business Planning                     | M |                           |   | Community and Family Wellbeing          |   | Review of planning and performance management arrangements.   | Moderate        |

| Key Risk Area                              | 2013/14 Audits / Opinions                                |   | 2014/15 Audits / Opinions              |   | 2015/16 Audits / Opinions                | Scope of 2015/16 Audit   | Overall Opinion   |   |
|--|--|---|--|---|--|--|---|---|
|  | Community and Family Wellbeing - Governance Arrangements | L |  |   | Adoption Service                         | To review the stability of placements prior to adoption.   |   |   |
|  | Derwent Hill   | M |  |   | 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 | Commissioning                            | L  |   | Review of working arrangements for the new integrated commissioning arrangements, including contract management arrangements. |
|  | Operational Asset Management                             | M | LEP Accountable Body Arrangements      | S | Corporate Service Planning Arrangements  | To review the development of the five year plan in relation to the Council's savings targets and strategic priorities. |   |   |
| Programme and Project Management           | Implementation of the Economic Master Plan               | M | Programme and Project Management       | S | Corporate Service Planning Arrangements  | To review the development of the five year plan in relation to the Council's savings targets and strategic priorities. | Moderate  |   |
|  |  |   | Realisation of Benefits & Savings      | M | Capital Programme Funding and Monitoring | To review the arrangements for monitoring performance against the capital programme.                                   |   |   |
| Partnerships                               |  |   | Corporate Partnership Arrangements     | L | Follow Up of 2014/15 audit               | To review progress against actions agreed following previous audit work.   | Limited   |   |
|  |  |   |  |   |  |  |   |   |
| Business Continuity and Emergency Planning | HHAS Business Continuity Planning                        | M | Corporate Business Continuity Planning | M | Emergency Planning                       | S  | To review the arrangements to maintain an up to date fit for purpose Major Incident Plan. | Moderate  |

| Key Risk Area                        | 2013/14 Audits / Opinions                               |   | 2014/15 Audits / Opinions                               |   | 2015/16 Audits / Opinions                               |   | Scope of 2015/16 Audit  | Overall Opinion |
|--------------------------------------|---|---|---|---|---|---|---|-----------------|
| Procurement                          | Derwent Hill  | M | Commissioning   | L | Commissioning   | L | Review of working arrangements for the new integrated commissioning arrangements, including contract management arrangements. | Moderate        |
|                                      | Out of Area Placements                                  | L | Contract Management                                     | M | Revenue Procurement                                     | M | Review of compliance with Procurement Procedure Rules   |                 |
|                                      | Revenue Procurement                                     | S | Capital Procurement                                     | S |   |   |   |                 |
| Relationship and Contract Management | Streetlighting PFI Contract Management                  | M | Commissioning   | L | Commissioning   | L | Review of working arrangements for the new integrated commissioning arrangements, including contract management arrangements. | Moderate        |
|                                      | Events Company Contract Management                      | M |   |   | Leisure Contract Management                             |   | To review the client arrangements for the Leisure Joint Venture.  |                 |
|                                      |   |   |   |   | LABV  |   | To review the LABV client role arrangements.  |                 |
|                                      |   |   |   |   | Capital Programme Funding and Monitoring                |   | To review the arrangements for monitoring performance against the capital programme.  |                 |
| Financial Management                 | EFA / SFA Funding                                       | S | EFA / SFA Funding                                       | S | EFA / SFA Funding                                       | S | Grant Certification work  | Substantial     |
|                                      | Local Transport Capital and Integrated Transport Grants | S | Local Transport Capital and Integrated Transport Grants | S | Local Transport Capital and Integrated Transport Grants | S | Grant Certification work  |                 |
|                                      | Troubled Families Performance Reward Grant              | L | Troubled Families Performance Reward Grant              | M | Troubled Families Performance Reward Grant              | L | Grant Certification work  |                 |
|                                      | DECC Fuel Poverty Grant                                 | M | Contaminated Land Grant                                 | S | Personal Budgets - Resource Allocation System           | L | To review the operation of the new assessment and resource allocation tool  |                 |

| Key Risk Area | 2013/14 Audits / Opinions                         |   | 2014/15 Audits / Opinions          |   | 2015/16 Audits / Opinions   |   | Scope of 2015/16 Audit   | Overall Opinion |
|---------------|---|---|------------------------------------|---|---|---|--|-----------------|
|               | Growing Places Funds 2, 3 and 7                   | S | Benefit Cap Advisors Grant         | S | Financial Verification of Leavers from the Direct Payments Scheme | S | To review the arrangements to ensure that Direct Payments are used in line with the agreed support plan.   |                 |
|               | Clusters of Empty Homes Grant                     | S | Adoption Reform Grant              | S | Port Income   | M | To review the arrangements for billing and collection of income to the Port.   |                 |
|               | Out of Area Placements                            | L | Commissioning                      | L | Commissioning   | L | Review of working arrangements for the new integrated commissioning arrangements, including contract management arrangements.  |                 |
|               | Foster Care Allowances                            | M | Port Governance Arrangements       | M | Corporate Service Planning Arrangements                           |   | To review the development of the five year plan in relation to the Council's savings targets and strategic priorities.   |                 |
|               | Charging for Non Residential Adults Care Services | S | LEP Accountable Body Arrangements  | S | Personnel Administration Arrangements                             |   | To assess the robustness of the personnel administration arrangements, and to ensure adequate separation of duties is in place with the transfer of the payroll function to HR & OD. |                 |
|               |   |   | Personal Budgets / Direct Payments | M | LABV  |   | To review the LABV client role arrangements.   |                 |
|               | Direct Payments                                   | L | Accounting / General Ledger        | S | Accounting / General Ledger                                       | S | To review the interfaces between SAP, Capita and the Council's website   |                 |
|               | 34 Schools  | S | 32 Schools                         | S | 18 schools  | S | Transaction testing in relation to income and expenditure  |                 |
|               | SAP Organisation Structures                       | S | SAP Organisation Structures        |   | Capital Programme Funding and Monitoring                          |   | To review the arrangements for monitoring performance against the capital programme.   |                 |

| Key Risk Area | 2013/14 Audits / Opinions                         |   | 2014/15 Audits / Opinions        |   | 2015/16 Audits / Opinions        |   | Scope of 2015/16 Audit  | Overall Opinion |
|---------------|---|---|----------------------------------|---|----------------------------------|---|---|-----------------|
|               | SAP HCM Monitoring of Multiple Employee Positions | L | Mobile Phones Contract           | L | BACS Processing                  | S | Transaction testing   |                 |
|               | BACS Processing                                   | S | BACS Processing                  | S | Cash Receipting                  |   | Transaction testing   |                 |
|               | Cash Receipting                                   | S | Cash Receipting                  | S | Accounts Payable                 | M | Transaction testing   |                 |
|               | Payroll   | M | Payroll                          | M | Accounts Receivable              |   | Transaction testing   |                 |
|               | Council Tax                                       | S | Council Tax - Valuation          | S | Periodic Income                  |   | Transaction testing   |                 |
|               | Business Rates                                    | S | Business Rates - Valuation       | S | Benefits Administration          |   | To review the arrangements for administration of Housing Benefit and Council Tax Support, including the completeness and accuracy of the subsidy claim.   |                 |
|               | Accounts Payable                                  | S | Accounts Payable                 | M | Business Rates - Liability       | S | Transaction testing   |                 |
|               | Accounts Receivable                               | S | Accounts Receivable              | S | Business Rates - Revised Billing | S | Transaction testing   |                 |
|               | Aquatic Centre                                    | S | Periodic Income                  | S | Enforcement Section              |   | A review of the arrangements for enforcement of debts owed to the Council. To include the bailiff function.   |                 |
|               | Benefits  | S | Benefits Administration          | S | Payroll                          |   | To assess the robustness of the payroll arrangements, and to ensure adequate separation of duties is in place with the transfer of the payroll function to HR & OD. Also to carry out transaction testing following implementation of the new Pay and Grading arrangements. |                 |
|               | Council Tax Support Scheme                        | S | Recovery of Benefit Overpayments | M | Revenue Procurement              |   | Review of compliance with Procurement Procedure Rules   |                 |

| Key Risk Area             | 2013/14 Audits / Opinions                    |   | 2014/15 Audits / Opinions                 |   | 2015/16 Audits / Opinions   |   | Scope of 2015/16 Audit  | Overall Opinion |
|---------------------------|--|---|---|---|-----------------------------|---|---|-----------------|
|                           | Operational Asset Management                 | M | Elections Hardware Grant                  | S | Autism Innovation Grant     | S |   | Moderate        |
|                           | Asset Register / Capital Accounting          | S | Cash in Transit / Parking Services Income | M | Agency Workers (Unplanned)  | N |   |                 |
|                           | Building Maintenance                         | N |   |   | Go Smarter to Work Grant    | S |   |                 |
|                           | Capital Programme Funding and Monitoring     | S |   |   |                             |   |   |                 |
|                           | Treasury Management                          | S |   |   |                             |   |   |                 |
|                           | External Funding                             | S |   |   |                             |   |   |                 |
|                           | External Funding - Support to Partners / VCS | M |   |   |                             |   |   |                 |
|                           | Insurance Claims Handling                    | S |   |   |                             |   |   |                 |
|                           | Council Tax Support Scheme                   | S |   |   |                             |   |   |                 |
|                           | Local Business Rates Scheme                  | S |   |   |                             |   |   |                 |
|                           | Crisis Loans / Social Fund                   | S |   |   |                             |   |   |                 |
|                           | Derwent Hill                                 | M |   |   |                             |   |   |                 |
|                           | Events Company Contract Management           | M |   |   |                             |   |   |                 |
| Human Resource Management | SAP Organisation Structures                  | S | SAP Organisation Structures               |   | SAP Organisation Structures |   | To review the arrangements for grading new posts / staffing structures in the future. | Moderate        |

| Key Risk Area          | 2013/14 Audits / Opinions                     |   | 2014/15 Audits / Opinions                       |   | 2015/16 Audits / Opinions                     |   | Scope of 2015/16 Audit  | Overall Opinion |
|------------------------|---|---|---|---|---|---|---|-----------------|
|                        | Monitoring of Multiple Employee Positions     | L | Corporate Training and Development Arrangements | L | Induction Procedures                          | M | To review the level of compliance with induction procedures following movement of staff into new roles.   |                 |
|                        | Corporate HR Management                       | M |   |   | Code of Conduct / Whistleblowing              |   | To review the level of awareness of and compliance with the Employee Code of Conduct and the Council's whistle blowing arrangements.  |                 |
|                        |   |   |   |   | Personnel Administration Arrangements         |   | To assess the robustness of the personnel administration arrangements and to ensure adequate separation of duties is in place with the transfer of the payroll function to HR & OD. |                 |
|                        |   |   |   |   | Agency Workers (Unplanned)                    | N |   |                 |
| Information Governance | Corporate Information Governance Arrangements | L | Corporate Information Governance Arrangements   | L | Corporate Information Governance Arrangements | L | To review progress on the development and implementation of an information governance improvement plan. Review to include physical security checks.                                 | Limited         |
|                        |   |   |   |   | Multi Agency Safeguarding Hub                 |   | Review of Information Sharing arrangements, and response to safeguarding incidents / serious case reviews.  |                 |
| Performance Management | Operational Asset Management                  | M | Corporate Performance Management Arrangements   | M | Multi Agency Safeguarding Hub                 |   | Review of Information Sharing arrangements, and response to safeguarding incidents / serious case reviews.  | Moderate        |

| Key Risk Area             | 2013/14 Audits / Opinions                                |   | 2014/15 Audits / Opinions                     |   | 2015/16 Audits / Opinions   |   | Scope of 2015/16 Audit   | Overall Opinion |
|---------------------------|--|---|---|---|---|---|--|-----------------|
|                           | Community and Family Wellbeing - Governance Arrangements | L |   |   | Community and Family Wellbeing                                    |   | Review of planning and performance management arrangements.  |                 |
|                           |  |   |   |   | Capital Programme Funding and Monitoring                          |   | To review the arrangements for monitoring performance against the capital programme.                     |                 |
|                           |  |   |   |   | Safeguarding and Quality Assurance Unit                           |   | To review progress against any agreed action plans resulting from Safeguarding Inspection.               |                 |
| Asset Management          | Derwent Hill   | M |   |   | LABV  |   | To review the LABV client role arrangements.   | Moderate        |
|                           | Technology Forge   | L |   |   | Corporate Asset Management  |   | To review the Council's property asset management arrangements against recommended practice.             |                 |
|                           | Operational Asset Management                             | M |   |   |   |   |  |                 |
|                           | ICT Asset Management                                     | M |   |   |   |   |  |                 |
|                           | Asset Register / Capital Accounting                      | S |   |   |   |   |  |                 |
| ICT Strategy and Delivery | ICT Asset Management                                     | M | Physical and Environmental Controls           | S | Cyber Security  | L | Review of the arrangements required for the future of the Council.                                       | Moderate        |
|                           |  |   | Mobile Phone Contract                         | L |   |   |  |                 |
| Fraud and Corruption      |  |   | Counter Fraud Testing                         | M | Financial Verification of Leavers from the Direct Payments Scheme | S | To review the arrangements to ensure that Direct Payments are used in line with the agreed support plan. | Substantial     |
|                           |  |   | National Fraud Initiative Case Investigations | S | BACS Processing   | S | Transaction testing  |                 |



| Key Risk Area | 2013/14 Audits / Opinions |   | 2014/15 Audits / Opinions    |   | 2015/16 Audits / Opinions  |   | Scope of 2015/16 Audit  | Overall Opinion |
|---------------|---------------------------|---|------------------------------|---|----------------------------|---|---|-----------------|
|               | Direct Payments           | L | Schools Counter Fraud Checks | S | Cash Receipting            |   | Transaction testing   |                 |
|               |                           |   | Personal Budgets             | M | Accounts Payable           | M | Transaction testing   |                 |
|               | BACS Processing           | S | BACS Processing              | S | Accounts Receivable        |   | Transaction testing   |                 |
|               | Cash Receipting           | S | Cash Receipting              | S | Periodic Income            |   | Transaction testing   |                 |
|               | Payroll                   | M | Payroll                      | M | Benefits Administration    |   | To review the arrangements for administration of Housing Benefit and Council Tax Support, including the completeness and accuracy of the subsidy claim.   |                 |
|               | Council Tax               | S | Council Tax - Valuation      | S | Business Rates - Liability | S | Transaction testing   |                 |
|               | Business Rates            | S | Capital Procurement          | S | Enforcement Section        |   | A review of the arrangements for enforcement of debts owed to the Council. To include the bailiff function.   |                 |
|               | Benefits                  | S | Benefits Administration      | S | Payroll                    |   | To assess the robustness of the payroll arrangements, and to ensure adequate separation of duties is in place with the transfer of the payroll function to HR & OD. Also to carry out transaction testing following implementation of the new Pay and Grading arrangements. |                 |
|               | Accounts Payable          | S | Accounts Payable             | M | Revenue Procurement        |   | Review of compliance with Procurement Procedure Rules   |                 |
|               | Accounts Receivable       | S | Accounts Receivable          | S | Agency Workers (Unplanned) | N |   |                 |
|               |                           |   | Periodic Income              | S |                            |   |   |                 |
|               |                           |   | SAP Organisation Structures  |   |                            |   |   |                 |

| Key Risk Area                   | 2013/14 Audits / Opinions                                 |   | 2014/15 Audits / Opinions  |   | 2015/16 Audits / Opinions                                      |   | Scope of 2015/16 Audit  | Overall Opinion |
|---------------------------------|---|---|--|---|--|---|---|-----------------|
|                                 |   |   | Cash in Transit / Parking Services Income                                    | M |  |   |   |                 |
| Risk Management                 |   |   | Port Governance Arrangements   | M |  |   |   | Moderate        |
| Schools                         | 34 schools, 5 full, 25 substantial, 3 moderate, 1 limited | S | 30 schools completed to date - 24 substantial, 5 moderate, 1 limited         | S | 18 schools<br>13 completed<br>11 - substantial<br>2 - moderate | S | Transaction testing in relation to income and expenditure   | Substantial     |
| Sunderland Care and Support Ltd | Direct Payments   | L | Governance Arrangements  | L | Governance   |   | Review of integration of Care and Support Sunderland Ltd into the Company and overall governance arrangements to take the Company forward | Moderate        |
|                                 |   |   | Farmborough Court  | S | Transaction / compliance testing                               |   | Compliance with new policies and procedures - to include visits to Supported Living establishments  |                 |
|                                 |   |   | Financial Procedures in Residential and Daycare Units (Establishment Visits) | L | Unit Costing   |   | Audit of methodology / approach to identifying and assessing unit costs   |                 |
|                                 | Procurement Arrangements                                  | S | Management and Security of Service Users Monies - Compliance with Procedures | S | Reablement   |   | Review of integrated health and social care reablement services   |                 |

| Key Risk Area       | 2013/14 Audits / Opinions                           |   | 2014/15 Audits / Opinions            |   | 2015/16 Audits / Opinions       | Scope of 2015/16 Audit | Overall Opinion   |         |
|---------------------|---|---|--------------------------------------|---|---------------------------------|------------------------|---|---------|
|                     | Risk Management Arrangements                        | L |                                      |   | Grace House Partnership Working | M                      | Review how key objectives are being delivered, including partnership governance   |         |
|                     | Information Management Arrangements                 | S |                                      |   | Community Equipment Service     | M                      | Counter Fraud Testing   |         |
|                     | Transaction Testing                                 | S |                                      |   |                                 |                        |   |         |
| Sunderland Live Ltd | Governance Arrangements                             | M | Airshow Income - Transaction Testing | M | Procurement                     |                        | Review of the procurement procedure rules, including compliance with them and the arrangements for subcontracting of event services | Limited |
|                     | Verification of Expenditure and Income Transactions | M | Income                               | L | Transactions testing            | L                      | Review of Airshow income transactions   |         |
|                     |   |   | Event Management                     | L | HR management                   |                        | Review of HR policies, including compliance with them   |         |
|                     |   |   |                                      |   | Information Governance          |                        | Review of arrangements to keep information secure and comply with appropriate legislation   |         |



## 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. A review of the profile has been started in line with the development of the next Corporate Plan.  |
| Supporting Executive Directors and Heads of Service to manage risks                                      | Activity is ongoing to aid the management of risks through services, programmes and key projects and partnerships. This will be linked to mitigating actions in the Strategic Risk Profile where appropriate.   |
| Support to Schools   | Risk workshops for schools have been taking place. 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 Ltd.</li> <li>• Intelligence Hub</li> <li>• ICT – various activity</li> <li>• Adult Social Care, Care Act and Children's and Families Act</li> <li>• Safeguarding – Childrens and Adults</li> <li>• Replacement of the SWIFT ICT system</li> <li>• City Deal and Enterprise Zones</li> <li>• New Wear Crossing construction and SSTC Phase 3</li> <li>• Information Governance</li> <li>• Place based services</li> <li>• Sunderland Live Ltd.</li> </ul> |



## Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2015/16

## 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<br>2) Percentage of draft reports issued within 15 days of the end of fieldwork<br>3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report)<br>4) Cost per £m Turnover | 1) All key risk areas covered over a 3 year period<br>2) 90%<br>3) 80%<br>4) Lower than average within CIPFA Benchmarking Club | 1) On target<br>2) Behind target -- 83.3%<br>3) Ahead of target – 80.6%<br>4) On target - £496 v £865 average |

## Quality

| Objectives   | KPI's  | Targets   | Actual Performance  |
|--|--|---|---|
| 1) To maintain an effective system of Quality Assurance    | 1) Opinion of External Auditor   | 1) Satisfactory opinion                                     | 1) Achieved   |
| 2) To ensure actions agreed by the service are implemented | 2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented | 2) 100% for high and significant<br><br>90% for medium risk | 2) Significant – on target – 100%<br><br>Behind target - Medium 82% (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<br>2) Results of other Questionnaires<br>3) Number of Complaints / Compliments | 1) Overall average score of better than 1.5 (1=Good and 4=Poor)<br>2) Results classed as 'Good'<br>3) No target – actual numbers will be reported | 1) On target – 1.0 to date<br>2) Non undertaken<br>3) 5 compliments<br>0 complaints |





**AUDIT AND GOVERNANCE COMMITTEE**

**18 March 2016**

**CORPORATE ASSURANCE MAP 2016/2017**

**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 2016/17.
- 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 the Audit and Governance Committee was asked for its comments in relation to a range of potential areas of work to support the Corporate Assurance Map for the coming year. The comments made have been considered when developing the Map and the supporting plans of work for Internal Audit and the Risk and Assurance Team.
- 2.2 This report presents the Corporate Assurance Map for 2016/17 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 2016/17**

### **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 2016/17 is shown overleaf. This highlights those areas for which assurance will be provided, 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. The Map will be updated for the next committee meeting following the publication of the new Corporate Plan and the revision of the Strategic Risk Profile.
- 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 and the assurance gathered from the various sources.

## Corporate Assurance Map

| Assurance Position<br>(Cumulative)   |               | 2016/17              |                                   |                         |             |     |         |                     |                    |                |                    |
|--------------------------------------|---------------|----------------------|-----------------------------------|-------------------------|-------------|-----|---------|---------------------|--------------------|----------------|--------------------|
|                                      |               | 1st Line             | 2nd Line                          |                         |             |     |         |                     |                    | 3rd Line       |                    |
|                                      |               | Management Assurance | Other Internal Assurance Activity |                         |             |     |         |                     |                    | Internal Audit | External Assurance |
|                                      |               | Legal Services       | Financial Resources               | Programmes and Projects | 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              | X                  |
| Legality                             |               |                      | X                                 |                         |             |     |         |                     | X                  |                |                    |
| Service / Business Planning          |               | X                    |                                   |                         | X           |     |         |                     | X                  | X              | X                  |
| Programme and Project Management     |               | X                    |                                   | X                       |             |     |         |                     | X                  | X              | X                  |
| Partnerships                         |               | X                    |                                   |                         |             |     |         |                     | X                  | X              | X                  |
| Business Continuity Planning         |               | X                    |                                   |                         |             |     |         | X                   | X                  | X              | X                  |
| Procurement                          |               | X                    |                                   |                         |             |     |         |                     | X                  | X              |                    |
| Relationship and Contract Management |               | X                    |                                   |                         |             |     |         |                     | X                  | X              | X                  |
| Financial Management                 |               | X                    | X                                 |                         |             |     |         |                     | X                  | X              | X                  |
| Human Resource Management            |               | X                    |                                   |                         |             |     | X       |                     | X                  | X              | X                  |
| Information Governance               |               | X                    | X                                 |                         |             |     |         |                     | X                  | X              | X                  |
| Performance Management               |               | X                    |                                   |                         | X           |     |         |                     | X                  | X              | X                  |
| Asset Management                     |               | X                    |                                   |                         |             |     |         |                     | X                  | X              |                    |
| ICT Strategy and Delivery            |               |                      |                                   |                         |             | X   |         |                     | X                  | X              | X                  |
| Fraud and Corruption                 |               | X                    |                                   |                         |             |     |         |                     |                    | X              |                    |
| Risk Management (Service Delivery)   |               | X                    |                                   |                         |             |     |         |                     | X                  |                | X                  |
| Schools                              |               | X                    | X                                 |                         |             |     |         |                     | X                  | X              |                    |
| <b>Wholly Owned Companies</b>        |               |                      |                                   |                         |             |     |         |                     |                    |                |                    |
| Sunderland Care and Support Ltd      |               | X                    | X                                 |                         | X           |     |         |                     |                    | X              | X                  |
| Sunderland Live Ltd                  |               | X                    | X                                 |                         | X           |     |         |                     |                    | X              |                    |

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

- 2.4 The current assurance position in relation to the corporate risk areas is either Amber or Green in all cases. This is a reasonable 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. However, given the results of some Internal Audit work and external inspections some concerns have been highlighted in relation to Children's Safeguarding and Information Governance. With the additional budget restrictions over the coming years there is a risk that the position could worsen.
- 2.5 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.
- 2.6 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).
- 2.7 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.
- 2.8 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 continues 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 Internal audit work will review the new planning and monitoring arrangements for the Transformational Change Programme and Corporate Performance Management. Audits will also be undertaken of the arrangements to administer the Better Care Fund and those for making payments to contractors regarding our major highways projects, including the New Wear Crossing.
- 3.4 The cycle of audits of key systems and counter fraud work will continue.

- 3.5 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. Key areas of work for the team are as follows:
- Economic regeneration such as City Deal / Enterprise Zone, the New Wear Crossing and the SSTC phase 3.
  - Adult Social Care
  - Children's Services
  - Supporting existing and new alternative service delivery models, including new model for Children's Services
  - Providing assurance on the delivery of key transformational and savings projects
  - Information Governance

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

- 4.1 The Strategic Risk Profile will be updated following the publication of the Council's Corporate Plan, this will result in an updated Corporate Assurance Map.

#### **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 Executive Management Team and 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 2016/17   |
|--|--|--|--|
| Customer Focus                             | 38%<br>(increased from 33%)                    | Commissioning arrangements need to be driven by intelligence regarding needs and ensure that strategic outcomes are delivered.   | Better Care Fund (20 days)<br>Transformational Change programme (16 days)<br>Leaving Care Grants (8 days)<br>Bereavement Services (8 days) |
| Legality                                   | 31%  | Results of Corporate Governance Review in recent years have not identified major issues.<br><br>Head of Law and Governance receives and comments on all Cabinet reports. Monitoring Officer Protocol in place.<br><br>On-going changes to service delivery models and staffing structures. | Employment Clearances (10 days)  |
| Service / Business Planning                | 68%  | New framework being introduced for corporate planning and performance management which will be implemented for 2016/17.  | Corporate Service Planning Arrangements (12 days)<br>Transformational Change programme (16 days)<br>Ethos (15 days)                        |
| Programme and Project Management           | 53%  | A range of projects could lead to significant changes to how services are delivered and/or how they are commissioned. Continued Risk and Assurance work re use of intelligence approach.   | Transformational Change programme (16 days)  |
| Partnerships                               | 60%<br>(increased from 48%)                    | Partnership management arrangements audit gave limited assurance   | Corporate Partnerships Arrangements (8 days)   |
| Business Continuity and Emergency Planning | 41%  | Strong arrangements in place for critical functions. However, variable results from departmental and service continuity audits. Significant movement and reduction of staff increases the risk.<br>Concerns in relation to Children's and Adult's Services.                                | Business Continuity Planning – People Services (15 days)   |

| Corporate Risk Area                  | Internal Audit Risk Assessment (Residual Risk) | Implication for the Audit Plan   | Audits Planned 2016/17   |
|--------------------------------------|--|--|--|
| Procurement                          | 30%  | Strong corporate arrangements in place to monitor compliance with regulations.   | Agency Workers – off contract spend (12 days)  |
| Relationship and Contract Management | 58%  | Corporate framework approved and being rolled out.<br><br>This area will become critical in the future as the Council will need to be assured that the desired outcomes and quality of services are achieved even if through another organisation / partner.<br><br>Needs to be further development of contract management arrangements prior to ASDM go live. | Highways Construction Projects – Contract Monitoring (12 days)<br>Leisure Services Management (10 days)  |
| Financial Management                 | 46%  | Strong controls in place regarding corporate arrangements. However, financial pressures are still significant and there is significant change in service delivery models, staffing and procedures.<br>Transformation team now reporting progress in achieving savings targets.<br><br>5 year savings plan being developed                                      | EFA Grant (2 days)<br>Troubled Families Performance Reward Grant (2 days)<br>Sport for Life Grant (5 days)<br>Local Transport Capital Maintenance Block Grant (5 days)<br>Local Transport Capital Integrated Transport Grant (4 days)<br>Nexus Grant (1 day)<br>Big Coastal Communities Grant (5 days)<br>SSTC2 Grant (10 days)<br>Sunderland a City by the Sea Grant (5 days) |
| Local Taxation                       | 22%  | Established systems and good control frameworks in place. The local council tax support scheme and local business rates scheme have been found to be working well.   | Leaving Care Grants (8 days)<br>Calculation of Clients Contributions (12 days)<br>Port Fuel System (8 days)<br>Transformational Change programme (16 days)   |
| Payroll                              | 40%  | Corporate systems well controlled although subject to some change. No material errors in recent history.<br><br>High volume of transactions.   | Agency Workers – off contract spend (12 days)<br>Payroll Processing and Payment (30 days)<br>Payroll Processing and Payment (30 days)<br>Asset Register / Capital Accounting (10 days)<br>Accounts Receivable and Periodic Income (20 days)<br>Accounts Payable (25 days)  |



| Corporate Risk Area       | Internal Audit Risk Assessment (Residual Risk) | Implication for the Audit Plan   | Audits Planned 2016/17   |
|---------------------------|--|--|--|
| Human Resource Management | 52%<br>(increased From 48%)                    | <p>Compliance with policies is variable across Council. This may get worse as staff continue to move around the Council.</p> <p>Training and development arrangements require improvement.</p> <p>Organisational Structure in SAP consistently out of date and not reflective of the current directorate / service structure</p> <p>High levels of use of agency workers and system for the payment of workers requires improvement.</p> | <p>Organisation Structures (12 days)</p> <p>Ethos (15 days)</p> <p>Agency Workers – off contract spend (12 days)</p> <p>Payroll Processing and Payment (30 days)</p> <p>Payroll Processing and Payment (30 days)</p> <p>Employment Clearances (10 days)</p> <p>Personnel Administration Arrangements (12 days)</p> |
| Information Governance    | 57%  | <p>Compliance with policies is variable across Council.</p> <p>Improvements being made and new corporate arrangements are in place.</p>  | Corporate Information Governance Arrangements (8 days)   |
| Performance Management    | 47%  | New framework has been designed and reporting arrangements being developed, compliance needs to be reviewed during 2016/17.  | <p>Corporate Performance Management Arrangements (12 days)</p> <p>Performance Management – Adults Services (12 days)</p>   |
| Asset Management          | 53%  | <p>Recent review undertaken by CIPFA. Audit work is currently on-going in relation to Asset Management.</p> <p>Contract management arrangements for the LABV being further developed.</p>  | <p>LABV Client Arrangements (8 days)</p> <p>Asset Register / Capital Accounting (10 days)</p> <p>Implementation of Technology Allocation policy (8 days)</p>   |

| Corporate Risk Area                | Internal Audit Risk Assessment (Residual Risk) | Implication for the Audit Plan  | Audits Planned 2016/17                                  |
|------------------------------------|--|---|---|
| ICT Strategy and Delivery          | 62%  | <p>Reduced capacity over recent years.</p> <p>Delivery of ICT services currently being procured.</p> <p>Results of an external review of cyber-risks currently being considered. Security of portable ICT equipment requires improvement.</p> | Implementation of Technology Allocation Policy (8 days) |
| Fraud and Corruption               | 29%  | <p>Corporate policies/arrangements/corporate fraud strategy in place.</p> <p>Higher risk of low value fraud due to economic position and the amount of change on-going.</p>   | 140 days allocated for targeted counter fraud work      |
| Risk Management (service delivery) | 24%  | <p>Corporate arrangements are strong.</p> <p>Risk registers produced for partnerships, service areas and programmes/projects. Important that risks focus on delivery of objectives.</p>   |   |
| Schools                            | 30%  | <p>Generally high level of financial control within schools. However, changes in the funding formula and falling rolls will mean funding pressures.</p>   | 31 schools (62 days)                                    |

## Risk and Assurance Plan

| Area of activity  | Estimated Days |
|---|----------------|
| Strategic Risk Profile aligned to new Corporate Plan (creation, review, monitoring and reporting)   | 100            |
| Supporting Alternative Service Delivery Models: <ul style="list-style-type: none"> <li>- Sunderland Care and Support Ltd</li> <li>- Sunderland Live Ltd</li> <li>- Place Based Services</li> <li>- Ethos (HR management)</li> <li>- Children's Services</li> </ul>  | 160            |
| ICT Service provision and contract management   | 60             |
| Adult Social Care and Children's Services: <ul style="list-style-type: none"> <li>- Preparation for OFSTED Inspection (Childrens)</li> <li>- SWIFT replacement project (Adults and Childrens)</li> <li>- Better Care Fund / Integration with Health Services (Adults)</li> <li>- Adults Safeguarding</li> <li>- Financial Assessments (Adults)</li> </ul> | 420            |
| Supporting and providing assurance on Key Transformation and Savings Projects   | 280            |
| Risk Management support to Executive Directors and Heads of Service   | 120            |
| Economic Development: <ul style="list-style-type: none"> <li>- International Advanced Manufacturing Park</li> <li>- Enterprise Zone(s)</li> <li>- Construction of the new Wear Crossing</li> <li>- SSTC phase 3</li> </ul>  | 200            |
| Financial Appraisals  | 30             |



**Appendix 3**

| <b>Internal Audit and Counter Fraud Unit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2016/17</b>              |  |   |
|--|--|---|
| <b>Efficiency and Effectiveness</b>  |  |   |
| <b>Objectives</b>  | <b>KPI's</b>   | <b>Targets</b>  |
| 1) To ensure the service provided is effective and efficient.  | 1) Complete sufficient audit work to provide an opinion on the corporate risk areas<br><br>2) Percentage of draft reports issued within 15 days of the end of fieldwork<br><br>3) Percentage of audits completed by the target date<br><br>4) Cost per £m Turnover | 1) All corporate risk areas covered over a 3 year period<br><br>2) 90%<br><br>3) 80%<br><br>4) Lower than average within CIPFA Benchmarking Club                |
| <b>Quality</b>   |  |   |
| <b>Objectives</b>  | <b>KPI's</b>   | <b>Targets</b>  |
| 1) To maintain an effective system of Quality Assurance<br><br>2) To ensure recommendations made by the service are agreed and implemented | 1) Opinion of External Auditor<br><br>2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented   | 1) Satisfactory opinion<br><br>2) 100% for high and significant. 90% for medium risk  |
| <b>Client Satisfaction</b>   |  |   |
| <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<br><br>2) Results of other Questionnaires<br><br>3) Number of Complaints / Compliments   | 1) Overall average score of better than 1.5 (where 1=Good and 4=Poor)<br><br>2) Results classed as 'Good'<br><br>3) No target – actual numbers will be reported |



**AUDIT AND GOVERNANCE COMMITTEE**

**18 March 2016**

**Proposed Forward Plan of Reports for 2016/2017**

**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 2016/17.
- 1.2 During the year there will be four 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 2016/17**

| <b>Month</b>                    | <b>Brief Description</b>  | <b>Report of</b>                            |
|---------------------------------|---|---|
| 24 <sup>th</sup> June 2016      | Annual Review of Governance Arrangements / Annual Governance Statement (including Annual Report covering work of Internal Audit and Risk and Assurance teams) | Director of Corporate Services              |
|                                 | Corporate Assurance Map - update  | Head of Assurance, Procurement and Projects |
|                                 | Annual Report on the Work of the Committee  | Director of Corporate Services              |
|                                 | New Strategic Risk Register   | Director of Corporate Services              |
|                                 | Appointment of External Auditor – update  | Director of Corporate Services              |
|                                 | Unaudited Statement of Accounts 2015/16   | Director of Corporate Services              |
|                                 | Treasury Management Annual Review 2015/16   | Director of Corporate Services              |
|                                 | Treasury Management 2016/17 - First Quarterly Review  | Director of Corporate Services              |
|                                 | Audit Progress Report   | External Auditor                            |
|                                 | Review of Arrangements for Securing Value for Money 2015/16   | External Auditor                            |
| 30 <sup>th</sup> September 2016 | Corporate Assurance Map – update  | Head of Assurance, Procurement and Projects |
|                                 | Treasury Management 2016/17 – Second Quarterly Review   | Director of Corporate Services              |
|                                 | Audit Completion Report 2015/16   | External Auditor                            |
|                                 | Audited Statement of Accounts 2015/16   | Director of Corporate Services              |
| 16 <sup>th</sup> December 2016  | Treasury Management 2016/17 – Third Quarterly Review  | Director of Corporate Services              |
|                                 | Corporate Assurance Map – update  | Head of Assurance, Procurement and Projects |
|                                 | Corporate Assurance Map Consultation 2017/18  | Head of Assurance, Procurement and Projects |
|                                 | Annual Audit Letter 2015/16   | External Auditor                            |
|                                 | Audit Progress Report   | External Auditor                            |

**Forward Plan of Reports  
Audit and Governance Committee 2016/17**

| Month                                | Brief Description  | Report of                                   |
|--------------------------------------|--|---|
| 10 <sup>th</sup><br>February<br>2017 | Treasury Management Strategy and Policy for 2017/18 including Treasury Management Prudential Indicators for 2017/2018 to 2019/2020 | Director of Corporate Services              |
|                                      | Audit Progress Report  | External Auditor                            |
| 31 <sup>st</sup> March<br>2017       | Corporate Assurance Map - update   | Head of Assurance, Procurement and Projects |
|                                      | Corporate Assurance Map – 2017/18 (including Internal Audit Plan, and Risk and Assurance team plan)                                | Head of Assurance, Procurement and Projects |
|                                      | Proposed Forward Plan of Reports 2017/18   | Director of Corporate Services              |
|                                      | Member Training and Development  | Director of Corporate Services              |
|                                      | Audit Strategy Memorandum 2016/17  | 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**

**18 March 2016**

**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 / awareness sessions required.



**AUDIT AND GOVERNANCE COMMITTEE**

**18 March 2016**

**External Auditor - Audit Strategy Memorandum 2015/2016**

**Report of the Director of Finance**

**1.0 Purpose of the report**

1.1 This report details the external auditors 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 2015/2016.

**2.0 Audit Strategy 2015/2016**

2.1 The attached Memorandum advises on the scope and nature of this work together with the scale of fees for the 2015/2016 audit and the assumptions that help inform this charge to the Council.

2.2 It is welcomed that Mazars are to reduce their core audit fee work for 2015/16 from £181,032 to £135,774 (a reduction of 25%) and that the fees for grant certification is also to reduce for 2015/16 from £10,300 to £9,309. The overall reduction in fees is a net reduction of £59,569 from the fees charged last year after taking into account fees of £3,550 for additional controls assurance work required by the Skills Funding Skills agency grant claim. The lower costs of the external audit process reflect the fact that the Public Sector Audit Appointments Ltd has passed on the 25% fee reduction arising from the final major procurement exercise undertaken by the Audit Commission before its closure in March 2015.

2.3 The Audit Strategy document 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 6 to 9 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.

**3.0 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 2016

March 2016



  
**Sunderland**  
City Council

Mazars LLP  
The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

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

4 March 2016

Dear Members

**Audit Strategy Memorandum for the year ending 31 March 2016**

We are delighted to present our Audit Strategy Memorandum for Sunderland City Council for the year ending 31 March 2016.

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 18 March 2016. 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  
Partner, for and on behalf of Mazars LLP



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Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and ‘Terms of Appointment’ issued by Public Sector Appointments Limited. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council 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 2016, and forms the basis for discussion at the Audit and Governance Committee meeting on 18 March 2016.

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 us 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 2016. The scope of our engagement is laid out in the National Audit Office's Code of Audit Practice.

## Responsibilities

- **Audit opinion**

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management nor the Audit and Governance Committee, as those charged with governance, of their responsibilities. We are also required to reach a conclusion on the arrangements that the Council has put in place to secure economy, efficiency and effectiveness in its use of resources (our Value for Money conclusion).

- **Whole of Government Accounts**

We report to the National Audit Office in respect of the consistency of the Council's Whole of Government Accounts submission with the financial statements.

- **Fraud**

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.

We are also required to give an elector, or any representative of the elector, an opportunity to question us about the accounting records of the Council and consider any objection made to the accounts by an elector.

## 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 2015/16. Our current view is that this information does not give rise to any additional significant risks for the audit.

## Performance and control environment

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 2015/16 revenue budget included £35.7m of savings proposals to address reduced funding and cost pressures. The Council needs to deliver a further £46.6m of reductions in 2016/17 and potentially a further £74m in the following three years. This is against a backdrop of £207m of reductions already required in the period 2010/11 to 2015/16.

We use the Council's latest financial monitoring reports and medium term financial plan to consider the current financial position. The following table summarises the 2015/16 predicted budget outturn, based on the third quarter reviews considered by the Cabinet in January 2016.

| Area                    | Budget  | Projected year end | Use of reserves | General Fund Balance at year end |
|-------------------------|---------|--------------------|-----------------|----------------------------------|
| Net revenue expenditure | £228.9m | £228.9m            | £0              | £7.57m (previous year £7.57m)    |
| Capital expenditure     | £111.8m | £113.6m            | n/a             | n/a                              |

As at the end of December 2015, the latest budget forecasts for 2015/16 showed that £29.7m of reductions had been achieved against a total savings requirement for the year of £35.7m, 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 has created additional financial pressures during the year. The most significant in year budget pressures are in children's safeguarding (£8.3m), where the Council aims to implement its improvement plans following an assessment of inadequate by Ofsted and in adult social care (£4.1m), where the Council has an ambitious pooled budget arrangement, known as the Better Care Fund, with Sunderland CCG.

The Council has sustained a significant capital programme of over £110m in 2015/16, with a further £122m investment planned for 2016/17. 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.

## 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 small number of changes to the Code for 2015/16, which include:

- applying the principles of IFRS 13 in respect of measuring fair value for the first time in 2015/16, meaning that some assets and liabilities held by the Council may need to be revalued on the basis of their fair value for the first time in 2015/16; and
- accounting for the Better Care Fund, the pooled budget with Sunderland CCG. In Sunderland's case the BCF involved a pooled budget of over £150m, requiring a number of additional disclosures in the 2015/16 financial statements.

Officers are aware of the new requirements and are making preparations to address them as part of the accounts closedown process.

# 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 NAO's Code of Audit Practice. Our work is focused on those aspects of your business which we consider have a higher risk of material misstatement such as those affected 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

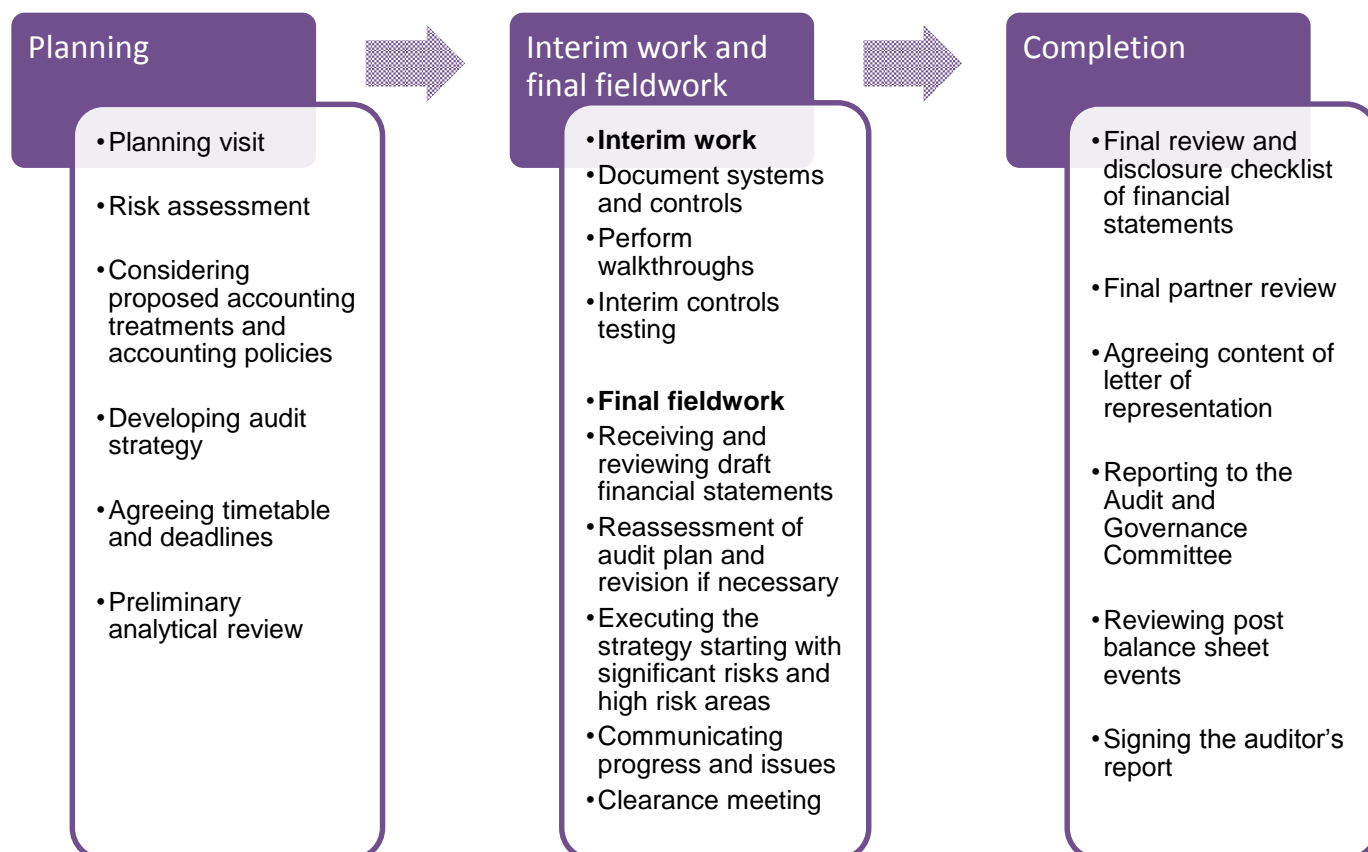
We apply a risk-based audit approach primarily driven by the matters we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment we develop our audit strategy and design audit procedures in response to this assessment. The work 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 below 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 | EY – auditor of the Tyne and Wear Pension Fund | We will agree a programme of work with EY and a timetable for the receipt of relevant information. |

### The work of experts

The following experts are relevant to our work for the year ended 31 March 2016.

| Items of account  | Management's expert                               | Our expert  |
|---|---|---|
| Defined benefit liability and associated IAS 19 entries and disclosures | Actuary (Aon Hewitt) – Tyne and Wear Pension Fund | National Audit Office's consulting actuary (PWC)        |
| Property, plant and equipment valuations                                | Internal valuer from Sunderland City Council      | National Audit Office's consulting valuer (Gerald Eve)  |
| Financial instruments – fair value disclosures                          | Capita (Treasury Management Advisor)              | Central assurance provided by the National Audit Office |

### 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 and for the first time in 2015/16, investment in a new leisure joint venture. We have planned our 2015/16 audit to include:

- where possible, liaising with the auditors of the other entities, to obtain any necessary information, including any audited financial statements that are available, and taking into account any issues and risks that have been identified;
- undertaking reasonableness checks on the information to be included in the statements in relation to the entities. 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;
- updating our understanding of how the Council prepares its group statements and manages the consolidation process; and
- the audit of the group accounts, ensuring appropriate consolidation adjustments and disclosures.

For members' information, Mazars LLP is the external auditor of Sunderland Care and Support Ltd, and provides 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 and key judgement areas

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 and the areas of management judgement 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.

## Significant 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 on 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.

### 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 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 National Audit Office.



# 04 Value for Money Conclusion

## Scope of work

For 2015/16, we are required to conclude whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We will perform our work in this area in accordance with guidance set out by the NAO in Auditor Guidance Note 3. This requires us to consider one overall criterion which is made up of three sub-criteria.

## Overall criterion

The overall criterion set out by the NAO is as follows:

*'In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'*

| Sub-criteria   | Guidance   |
|--|--|
| <b>Informed decision-making</b>                      | <ul style="list-style-type: none"> <li>Acting in the public interest, through demonstrating and applying the principles and values of sound governance.</li> <li>Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.</li> <li>Reliable and timely financial reporting that supports the delivery of strategic priorities.</li> <li>Managing risks effectively and maintaining a sound system of internal control.</li> </ul> |
| <b>Sustainable resource deployment</b>               | <ul style="list-style-type: none"> <li>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</li> <li>Managing and utilising assets effectively to support the delivery of strategic priorities.</li> <li>Planning, organising and developing the workforce effectively to deliver strategic priorities.</li> </ul>  |
| <b>Working with partners and other third parties</b> | <ul style="list-style-type: none"> <li>Working with third parties effectively to deliver strategic priorities.</li> <li>Commissioning services effectively to support the delivery of strategic priorities.</li> <li>Procuring supplies and services effectively to support the delivery of strategic priorities.</li> </ul>   |

As part of our work, we will also:

- review your annual governance statement;
- consider the work of other relevant regulatory bodies or inspectorates, such as Ofsted and the Care Quality Commission, to the extent the results of the work have an impact on our responsibilities; and
- carry out any risk-based work we determine appropriate.

We have considered the risks that are relevant to our value for money conclusion and have identified the following significant audit risk that we will address through our work.

### VFM risk – Responding to financial pressures

#### Description of the risk

The Council faces financial pressures from reduced funding and continues to identify plans to deliver future savings and improvements, including alternative models of service delivery. 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 improvements, and seek to minimise any adverse impact on service delivery. We will review the plans that are developed to deliver savings and improvements.

### **Ofsted inspection of children's safeguarding services**

In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we are required to consider the reports issued by other regulators.

In July 2015, Ofsted reported the results of an inspection of services for children in need of help and protection, children looked after, care leavers and adoption performance. Ofsted concluded that these services and their leadership, management and governance were inadequate. Ofsted also concluded that the arrangements in place to evaluate the effectiveness of what is done by the Council and its partners to safeguard and promote the welfare of children, through the Sunderland Safeguarding Children Board, were inadequate.

Our response to the conclusions reached by Ofsted, was to incorporate an 'except for' qualification into our 2014/15 VFM Conclusion. In effect, based on the required scope of our work, our conclusion was that the Council, in all significant respects, put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015 'except for' the areas that have been highlighted as inadequate in the Ofsted report.

The Council is addressing the issues raised in the Ofsted inspection, and is working with a Government-appointed Commissioner for Children's Services to advise on improvements and to inform ministers about progress.

The Ofsted assessment remains a significant risk that is relevant to our value for money conclusion as set out below.

### **VFM risk – Children's safeguarding services**

#### **Description of the risk**

The Council does not make the required improvements to children's services, or does not make the improvements rapidly enough.

#### **How we will address this risk**

We will consider the progress made by the Council in relation to children's services at the point we give our 2015/16 VFM conclusion. This requires an expert judgement, and we will rely on the updated assessment of Ofsted or the Government-appointed Commissioner for Children's Services, in determining whether another 'except for' qualification is needed for the 2015/16 VFM conclusion or whether sufficient improvement has been made to avoid a further qualification.

# 05 Your audit team

Below are your audit team and their contact details.

Engagement lead  
(Partner)

- Mark Kirkham
- mark.kirkham@mazars.co.uk
- 0191 383 6300 or 07747 764 529

Engagement manager  
(Senior Manager)

- Gavin Barker
- gavin.barker@mazars.co.uk
- 0191 561 1917 or 07896 684 771

Team leader (Assistant  
Manager)

- Ian Rutter
- ian.rutter@mazars.co.uk
- 0191 561 1919 or 07881 283 347

In accordance with our internal policies for audit quality and risk management, we consider the audit of the Council to be a 'major audit'. As a result, and in line with the requirements of International Standards on Quality Control (ISQC) 1, the firm's Risk Management Partner has appointed an Independent Quality Control Reviewer (IQCR). This will bring an additional level of quality control to the engagement team.

# 06 Fees for audit and other services

At this stage of the audit we are not planning any divergence from the scale fees set by Public Sector Audit Appointments Ltd for the Code audit work and Housing Benefit Subsidy certification work.

| Area of work                          | 2015/16<br>Scale fee | 2015/16<br>Proposed fee | 2014/15<br>Final fee |
|---------------------------------------|----------------------|-------------------------|----------------------|
| Code audit work                       | 135,774              | 135,774                 | 181,032              |
| Housing Benefit Subsidy certification | 9,309                | 9,309                   | 10,300               |
| Non-audit work                        | n/a                  | 3,550                   | 16,870               |
| <b>Total fees</b>                     | <b>145,083</b>       | <b>148,633</b>          | <b>208,202</b>       |

*Fees exclude recoverable VAT*

The reason for the reduction in the scale fee for Code audit work between 2014/15 and 2015/16, is that Public Sector Audit Appointments Ltd has passed on the 25% fee reduction arising from the final major procurement exercise undertaken by the Audit Commission before its closure in March 2015.

In 2014/15 we provided a number of non-audit services. For 2015/16, so far we have delivered one piece of non-audit work in relation to controls assurance for a Skills Funding Agency grant claim. No further non-audit work is planned at present.

# 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 partner.

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 provide 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 Audit and 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 Audit and 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 2015/16 CIPFA Code of Practice on Local Authority Accounting (the Code) has made several changes to financial reporting requirements relevant to the Council, of which you should be aware. We provide workshops explaining these changes to which we invite officers from the Council responsible for preparing the financial statements. The workshops provide full details of the changes in the 2015/16 Code as well as a forward look to potential future accounting changes that may be of relevance to the Council.

As well as the accounting issues outlined below, we would like to draw the Audit and Governance Committee's attention to changes in the Accounts and Audit (England) Regulations 2015 that require the Council to notify us of the date on which the period for the exercise of public rights commences. 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

| Highways Network Assets   | How this may affect the Council  |
|---|--|
| The measurement basis for the Council's Highways Network Assets will change from depreciated historic cost to depreciated replacement cost in 2016/17, but with no prior period restatement required. | It is likely that the impact of this change will be significant and that the value of relevant assets on the Council's balance sheet will increase.  |
| Early deadlines   | How this may affect the Council  |
| The Accounts and Audit Regulations 2015 outline earlier deadlines for local authorities to produce their statements of account from the 2017/18 financial year.                                       | The impacts 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. |
| Fair Value accounting   | How this may affect the Council  |
| The Code adopts the principles of IFRS 13 in respect of measuring fair value for the first time in 2015/16.   | Some assets and liabilities held by the Council may need to be revalued on the basis of their fair value for the first time in 2015/16.  |





**AUDIT AND GOVERNANCE COMMITTEE**

**18 March 2016**

**EXTERNAL AUDITOR – VALUE FOR MONEY RISK ASSESSMENT 2015/2016**

**Report of the Director of Finance**

**1. Purpose of Report**

- 1.1 To enable the Committee to consider and comment upon the external auditors' Value for Money Risk Assessment which covers the financial year 2015/2016 and which will help inform the external auditors Value for Money conclusion which will be reported to this Committee later in the year.
- 1.2 The report will be presented by Gavin Barker, the Authority's Senior Engagement Manager.
- 1.3 The report reflects the external auditor's aim of providing both members and officers of the Authority with an initial risk assessment which will be used to inform the work undertaken in respect of the Value for Money Conclusion for the Council. As members know the outcome of this work is subject to a separate report by the external auditor which is brought to this Committee in September.
- 1.4 It is important to note however that the RAG rating used by the auditor for the key risk areas set out on pages 5 to 8 of their document ***reflects their initial risk assessment at this stage and is not an assessment or rating of the Council's arrangements.***
- 1.5 It also gives members the opportunity to question the auditor about the initial risks they have identified for the Authority in their report.

**2. Recommendations**

- 2.1 Members are asked to note the attached report.



# Sunderland City Council

## Value for money risk assessment

March 2016



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*Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and ‘Terms of Appointment’ issued by Public Sector Appointments Limited. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council 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

## Executive Summary

Auditor Guidance Note 03 issued by the National Audit Office (NAO), sets out the requirements for value for money (VFM) work in 2015/16. In respect of local government bodies, it states:

"Section 20(1) of the Act requires that: 'In auditing the accounts of a relevant authority other than a health service body, a local auditor must, by examination of the accounts and otherwise, be satisfied ... (c) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'."

Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion:

- Overall criterion: In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements but these are not separate and auditors are not required to reach a distinct judgement against each one:

Sub-criteria:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

We used the NAO's guidance to carry out an initial risk assessment using a red / amber / green (RAG) rating with the following definitions.

No risks to our VFM conclusion identified to date and no further work planned.



Not considered to be an audit risk at this stage, however, risk indicators to be followed up as further information becomes available.



Significant audit risk identified. This denotes risk to us as auditors. It is not an assessment or rating of the Council's arrangements.






The guidance also gives examples of issues or developments which an auditor may consider as significant engagement risks:

- organisational change or transformation;
- significant funding gaps in financial planning;
- legislative or policy changes;
- repeated financial difficulties, or persistently poor performance; and
- other sources.

### Overall assessment

The overall financial environment in which the Council is operating represents a significant risk to our value for money conclusion.

Sustainable resource deployment is categorised as red and therefore we consider that there is a significant risk impacting our VFM Conclusion. This audit risk is directly linked to the ongoing austerity programme and the need to reduce costs and transform services to address the funding gap in the medium term financial plan. Informed decision making is rated green, as we have not identified any significant concerns in this area of the Council’s work to date. Working with partners and other third parties is amber, particularly as we want to assess the outcomes from the operation of the Better Care Fund in the first year of operation. More details on each sub criteria can be found in the tables in section 2 of this report.

| Proper arrangements                           |  |
|---|--|
| Informed decision making                      |  <b>Green</b> |
| Sustainable resource deployment               |  <b>Red</b>   |
| Working with partners and other third parties |  <b>Amber</b> |

We have identified a number of areas where further work is required to provide sufficient assurance to inform our VFM conclusion, and address the significant risk that has been identified:

- review of the 2015/16 financial outturn to gain audit assurance about the robustness of the savings planning processes and assess the latest financial standing of the Council;
- analysis of benchmarking data in VFM Profiles to assess the Council’s comparative position on key measures; and
- review the plans that are being put in place to address the funding gap for future years.

One specific area we will consider as an additional significant risk relates to Ofsted's assessment of children's safeguarding services as inadequate in July 2015.

We will consider the progress made by the Council in relation to children's services at the point we give our 2015/16 VFM conclusion. This requires an expert judgement, and we will rely on the updated assessment of Ofsted or the Government-appointed Commissioner for Children's Services, in determining whether another 'except for' qualification is needed for the 2015/16 VFM conclusion or whether sufficient improvement has been made to avoid a further qualification.

To assess the amber risk area (medium risk) around working with partners and other third parties, we will review in particular the outcome of the first year of operation of the Better Care Fund.

We will also continue to monitor the Council's overall arrangements through:

- ongoing meetings with key officers; and
- ongoing review of relevant meeting agenda papers and minutes where decisions relevant to our responsibilities are taken.

Our audit risk assessment is dynamic and can change as the audit progresses and new information is considered.



# 02

## Proper arrangements



The NAO guidance defines proper arrangements based on existing sector requirements to have arrangements in place to ensure proper governance, resource and risk management, and internal controls, and to report on the design and operation of those arrangements through Annual Governance Statements. For Fire Authorities, this is the CIPFA/SOLACE framework for local government.

Drawing on the relevant requirements applicable to local bodies, proper arrangements cover the areas detailed in the tables in this section of the report.


### Informed decision making



| Proper arrangements   | RAG Rating  | Arrangements at Sunderland City Council   |
|---|---|---|
| Acting in the public interest, through demonstrating and applying the principles and values of sound governance.  | <br><b>Green</b>  | <ul style="list-style-type: none"> <li>• Constitution in place setting out the standing orders, financial regulations, scheme of delegation and codes of conduct governing the operation of the Council.</li> <li>• Cabinet system adopted with executive decision making and scrutiny arrangements in place.</li> <li>• The Council has adopted a Local Code of Corporate Governance, and reports annually on the operation of its governance arrangements through the Annual Governance Statement included in its financial statements.</li> </ul>  |
| Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management. | <br><b>Green</b> | <ul style="list-style-type: none"> <li>• Council decisions based on professional reports setting out options and supported by relevant considerations and evidence, including detailed business cases where appropriate.</li> <li>• Medium term financial planning considers the challenges faced by the Council, particularly in the face of public sector austerity in recent years.</li> <li>• Difficult decisions impacting on services have been taken to balance budgets, and implementation of measures is monitored.</li> <li>• Robust budget setting and monitoring processes, including regular monitoring of financial performance.</li> <li>• Performance management in place and being further developed.</li> <li>• No data quality issues in respect of financial and performance information that we are aware of.</li> </ul> |




| Proper arrangements   | RAG Rating   | Arrangements at Sunderland City Council  |
|---|--|--|
| Reliable and timely financial reporting that supports the delivery of strategic priorities. | <br>Green | <ul style="list-style-type: none"> <li>• Regular and timely reporting to Members.</li> <li>• Outturn reasonably close to projections in quarterly financial reports.</li> <li>• Track record of delivering planned savings and efficiencies in prior years.</li> </ul>   |
| Managing risks effectively and maintaining a sound system of internal control.              | <br>Green | <ul style="list-style-type: none"> <li>• Risk register and risk management arrangements in place, with regular reporting to the Audit and Governance Committee.</li> <li>• Assurance arrangements in place through three lines of defence model overseen by the Audit and Governance Committee.</li> <li>• Regular reporting by Internal Audit on the operation of the system of internal control.</li> <li>• Annual Governance Statement prepared, reviewed and approved by Members.</li> </ul> |



## Sustainable resource deployment

| Proper arrangements   | RAG Rating   | Arrangements at Sunderland City Council   |
|---|--|---|
| Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. | <br>Red | <ul style="list-style-type: none"> <li>• The Council has delivered £207m of savings in the period 2010/11 to 2015/16.</li> <li>• The Council needs to deliver a further £46.6m of reductions in 2016/17 and potentially a further £74m in the following three years.</li> <li>• Despite this, financial and performance reports demonstrate a history of achieving difficult cost reductions / increasing income, whilst minimising the impact on services and operational performance.</li> <li>• Becoming more difficult to maintain this balance, with continuing year on year reductions in available resources.</li> <li>• The Council has created some alternative service delivery models, such as Sunderland Care and Support Ltd, established as a local authority trading company. Further measures are planned.</li> <li>• Significant demand-led budget pressures in children's safeguarding, where the Council aims to implement its improvement plans following an assessment of inadequate by Ofsted and in adult social care, where the Council has an ambitious pooled budget arrangement, known as the Better Care Fund, with Sunderland CCG, but where the increasing demands from an ageing population is recognised as a national challenge facing local government and its partners.</li> </ul> |

| Proper arrangements  | RAG Rating  | Arrangements at Sunderland City Council   |
|--|---|---|
| Managing and utilising assets effectively to support the delivery of strategic priorities.     | <br><b>Green</b> | <ul style="list-style-type: none"> <li>• Asset register and asset management plans in place.</li> <li>• Capital programme includes planned developments including infrastructure measures to stimulate economic regeneration and growth.</li> <li>• Joint venture through Siglion LLP to accelerate economic development of key sites including the Vaux site and stimulate private sector investment in the City.</li> </ul>   |
| Planning, organising and developing the workforce effectively to deliver strategic priorities. | <br><b>Amber</b> | <ul style="list-style-type: none"> <li>• HR policies and procedures in place.</li> <li>• Workforce transformation has been at the heart of many of the measures taken to address funding constraints.</li> <li>• Downsizing of the workforce has been undertaken in a phased and planned way over a number of years, and has delivered significant budget savings.</li> <li>• Further significant downsizing planned, including further outsourcing into alternative models of service delivery.</li> </ul> |

## Working with partners and other third parties

| Proper arrangements   | RAG Rating  | Arrangements at Sunderland City Council   |
|---|---|---|
| Working with third parties effectively to deliver strategic priorities. | <br><b>Amber</b> | <ul style="list-style-type: none"> <li>• Partnership working well established.</li> <li>• Examples of partnership working in place to reduce costs and improve service delivery.</li> <li>• Better Care Fund (BCF) in place with Health and Wellbeing Board oversight. Health and Social Care Integration Board established with all key partners to drive the whole programme forward. Pooled budget partnership in place since April 2015. Its role is to oversee the ambitious Section 75 pooled budget (£156m in total for 2015/16) and to receive performance and progress updates. Position on Better Care Fund to be confirmed after year end.</li> <li>• Increasingly, examples of delivery through arms-length organisations, such as the Council's own trading companies (for example, Sunderland Care and Support Ltd) or through joint ventures (such as Siglion LLP, or leisure joint venture).</li> </ul> |

| Proper arrangements  | RAG Rating  | Arrangements at Sunderland City Council   |
|--|---|---|
| Commissioning services effectively to support the delivery of strategic priorities.          | <br><b>Amber</b> | <ul style="list-style-type: none"> <li>• Position on Better Care Fund to be confirmed after year end.</li> <li>• Increasingly, examples of delivery through arms-length organisations, such as the Council’s own trading companies (for example, Sunderland Care and Support Ltd) or through joint ventures (such as Siglion LLP, or leisure joint venture).</li> <li>• Presents challenges in monitoring the effectiveness of outcomes.</li> </ul> |
| Procuring supplies and services effectively to support the delivery of strategic priorities. | <br><b>Green</b> | <ul style="list-style-type: none"> <li>• Procurement policies in place.</li> <li>• Use established national and regional procurement frameworks to maximise purchasing power.</li> <li>• Sought to drive increased value across all budget headings including supplies and services.</li> </ul>   |

### Ofsted inspection of children’s safeguarding services

In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we are required to consider the reports issued by other regulators.

In July 2015, Ofsted reported the results of an inspection of services for children in need of help and protection, children looked after, care leavers and adoption performance. Ofsted concluded that these services and their leadership, management and governance were inadequate. Ofsted also concluded that the arrangements in place to evaluate the effectiveness of what is done by the Council and its partners to safeguard and promote the welfare of children, through the Sunderland Safeguarding Children Board, were inadequate.

Our response to the conclusions reached by Ofsted, was to incorporate an ‘except for’ qualification into our 2014/15 VFM Conclusion. In effect, based on the required scope of our work, our conclusion was that the Council, in all significant respects, put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015 ‘except for’ the areas that have been highlighted as inadequate in the Ofsted report.

The Council is addressing the issues raised in the Ofsted inspection, and is working with a Government-appointed Commissioner for Children’s Services to advise on improvements and to inform ministers about progress.

The Ofsted assessment remains a significant risk that is relevant to our value for money conclusion.

We will consider the progress made by the Council in relation to children’s services at the point we give our 2015/16 VFM conclusion. This requires an expert judgement, and we will rely on the updated assessment of Ofsted or the Government-appointed Commissioner for Children’s Services, in determining whether another ‘except for’ qualification is needed for the 2015/16 VFM conclusion or whether sufficient improvement has been made to avoid a further qualification.



**AUDIT AND GOVERNANCE COMMITTEE**

**18 March 2016**

**EXTERNAL AUDITOR – AUDIT PROGRESS REPORT**

**Report of the Director of Finance**

**1. Purpose of Report**

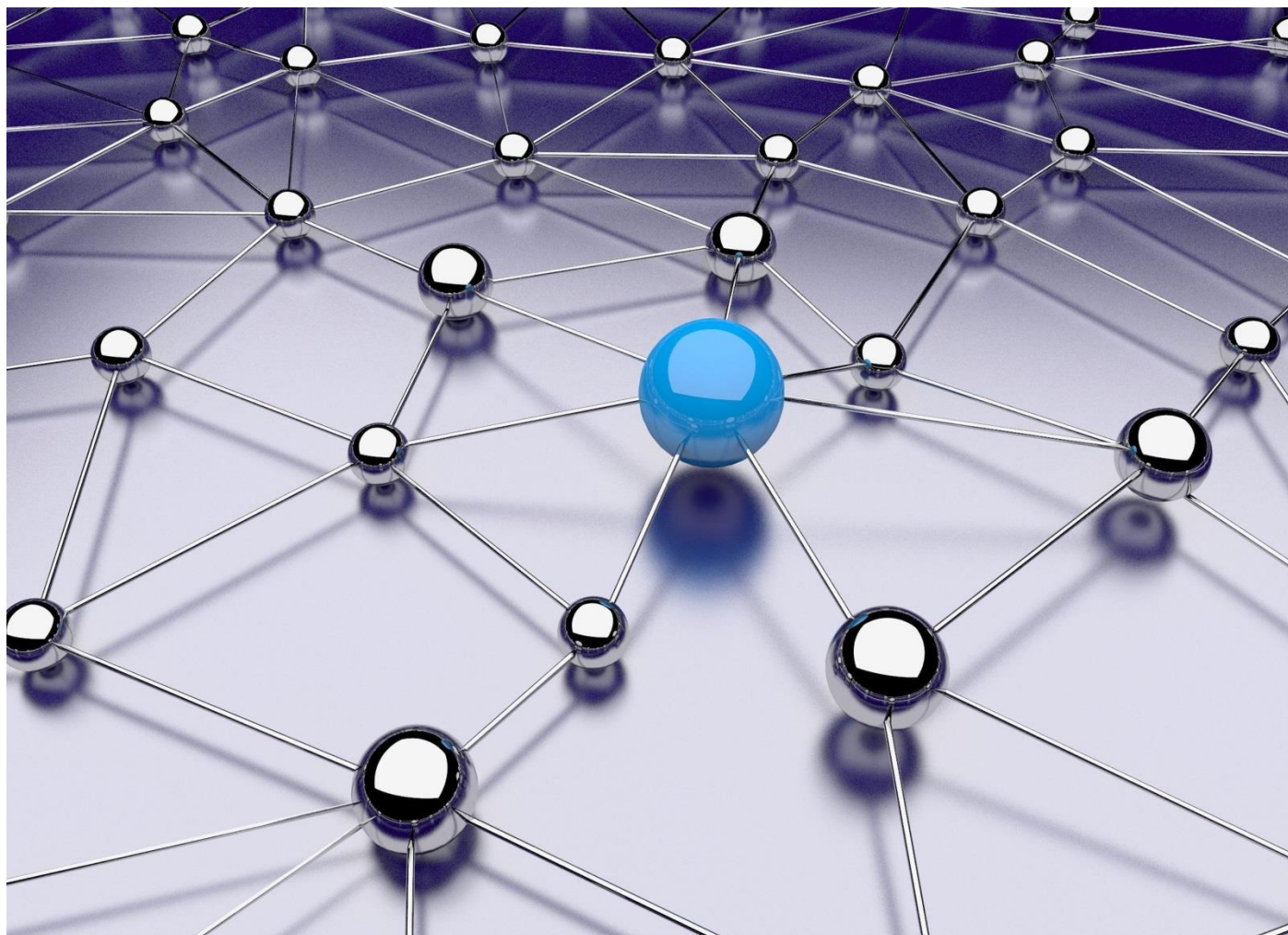
- 1.1 To enable the Committee to consider and comment upon the external auditors' (Mazars) regular Audit Progress Report covering the period up to March 2016.
- 1.2 The report (Appendix A) will be presented by Gavin Barker, the Council's Senior Engagement Manager.
- 1.3 The reports are a regular feature 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 Council.
- 1.4 Members will be aware from the earlier reports on the agenda (Audit Strategy Memorandum 2015/2016 and the Value for Money Risk Assessment 2015/2016) that set out the main risks identified by the auditor for both the Authority's Statement of Accounts Opinion and their Value for Money Conclusion for 2015/2016. These risks are considered usual for a Council of this size, type and complexity.
- 1.5 The report also provides updates on:
  - North East Governance Forum – January 2016  
As this meeting was found to be very valuable that a further meeting was to be convened for June, and that it was agreed from feedback from attendees that two meetings a year should be put in place in future;
  - The recent changes made by the government (Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015) in relation to the public inspection of the accounts process and also the revised requirements for the Authority to observe for the reporting of the 2015/2016 Statement of Accounts and in future years;
- 1.6 The report also usefully highlights national publications and other emerging issues and developments that may be relevant and of interest to members in their role on the Audit and Governance Committee. These are detailed on pages 5 to 7 of the report.

## **2. Recommendations**

2.1 Members are asked to note the report.

# Sunderland City Council Audit Progress Report

March 2016



  
Sunderland  
City Council

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*Our reports are prepared in the context of the Public Sector Audit Appointment Limited's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Sunderland City Council, its Members, Directors or officers are prepared for the sole use of the audited body and we take no responsibility to any Member, Director or officer in their individual capacity or to any third party.*



# 01 Introduction

The purpose of this report is to update the Audit and Governance Committee of Sunderland City Council (the Council) on progress in delivering our responsibilities as your external auditors.

We have also highlighted key emerging national issues and developments which may be of interest to Committee Members.

If you require any additional information, please contact us using the details at the end of this update.

Finally, please note our website address ([www.mazars.co.uk](http://www.mazars.co.uk)) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

# 02 Summary of audit progress

## 2015/16 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.

## Accounts workshops for officers

In January 2016, Mazars provided a workshop for finance staff on accounting and auditing issues relating to the closedown and preparation of the 2015/16 statement of accounts. The workshop was well attended and well received by our clients. Some of your officers attended the workshop.

This year we also provided an additional workshop on infrastructure assets, an area where the accounting requirements change significantly next year. Highways engineers and accountants were brought together for this workshop, and the officers who attended, including your officers, found the workshop helpful as part of their preparations for these changes.

## First meeting of the North East Governance Forum

In January 2016, we also held the first meeting of our North East Governance Forum at Durham County Cricket Club. Members will recall that we established the forum for officers and Members, particularly Chairs and Vice Chairs of Audit Committees, with the aims of:

- promoting good practice in governance;
- facilitating dialogue, debate and sharing of ideas among those providing governance oversight;
- horizon scanning to ensure that the forum is briefed on the latest developments and key topical issues; and
- providing a safe and valued forum for discussion.

Most local authorities and related bodies in the North East were represented at the forum, including Sunderland City Council.

The topics discussed at the first meeting included:

- Audit Committee effectiveness;
- devolution; and
- future issues (horizon scanning).

There was a consensus among those attending that the forum was valuable, and a second meeting has been arranged for June 2016. It is proposed that the forum will meet twice each year.

## Changes impacting on the public inspection of the accounts

The Accounts and Audit Regulations (2015) have made changes to, amongst other things:

- the roles and responsibilities associated with informing electors of their rights; and
- the publication of draft and audited statements of account and information that accompanies those statements.

It is now the Responsible Financial Officer's responsibility to publish a statement that includes details of the period for the exercise of public rights. It is also now the Responsible Financial Officer's responsibility to inform the auditor of the date on which that period commences; previously the auditor was responsible for 'calling the audit' and appointing a specific date on which electors could ask questions relating to the audit.

The period for the exercise of public rights must be a single period of 30 working days. Electors can only exercise their rights of inspection and objection, as set out in the Local Audit and Accountability Act 2014, during this period. The period must include the first 10 working days of July for this year's audit and, as a result, the earliest date that the audit of a local authority can be completed for 2015/16 is 15th July 2016.

The Regulations also set out the revised timetable for the preparation and audit of the Council's financial statements from 2017/18 that we have mentioned in previous audit progress reports / audit committee meetings. We continue to work closely with the Council's finance team to ensure that we both meet the revised timetable.

Further details on the requirements are set out in the Appendix to this report.

# 03 National publications and other updates

This section contains updates on the following:

1. **Guidance for Directors of companies partly or fully owned by the public sector, January 2016**
2. **Supporting the transition, Public Sector Audit Appointments Ltd, February 2016**
3. **Results of auditor's work 2014/2015: local government bodies, Public Sector Audit Appointments Ltd, December 2015**
4. **Cipfa: Guide to auditor panels, December 2015**
5. **Mazars: Public services blog 'Let's talk public services'**

## 1. **Guidance for Directors of companies partly or fully owned by the public sector, January 2016**

This guidance, which has been published by the Cabinet office, is to help directors of companies owned by the public sector, in full or in part, to understand their duties and responsibilities, including identifying and managing conflicts of interest. As local government and related bodies increasingly explore alternative models of service delivery, including establishing local authority trading companies, this guidance is of relevance.

<https://www.gov.uk/government/publications/guidance-for-directors-of-companies-fully-or-partly-owned-by-the-public-sector>

An additional guidance paper referred to in the Cabinet Office report is a National Audit Office paper produced in January 2015 on Conflicts of Interest. This is also of relevance to authorities that are operating in an increasingly complex environment of related entities.

<https://www.nao.org.uk/report/conflicts-interest-2/>

## 2. **Supporting the transition, Public Sector Audit Appointments Ltd, February 2016**

Public Sector Audit Appointments Ltd (PSAA) has published its Corporate Plan for the period to 2018. The Plan sets out how the company will discharge the functions delegated to it by the Secretary of State for Communities and Local Government which include managing audit contracts originally let by the Audit Commission and supporting a smooth transition to the new audit regime introduced by the Local Audit and Accountability Act 2014.

PSAA's work programme involves two parallel strands: ensuring that the existing audit contracts continue to deliver good quality and positive value for audited bodies and effective assurance to the public; and, providing as much support as possible to assist local bodies to prepare for, and be ready to meet, their new responsibilities as the legislation is fully implemented.

The plan was informed by the fact that the timetable for the expiry of the existing audit contracts is now clear. For NHS bodies and smaller local authorities (mainly parishes and internal drainage boards) existing arrangements will cover the audits up to and including 2016/17. For these bodies the new regime will therefore apply to the audits of the financial year 2017/18 and onwards. For principal local authorities and criminal justice bodies the existing arrangements are expected to run for a further year covering the audits up to and including 2017/18. For these bodies the new regime will apply to 2018/19 audits and beyond.

As part of its role in supporting local bodies to prepare for their responsibilities under the new regime, PSAA has set up on its website a dedicated Supporting the transition area containing resources to assist local public bodies in making the transition to the new arrangements.

<http://www.psa.co.uk/supporting-the-transition/>

A further important aspect of PSAA's work in relation to the new regime will involve working with the Local Government Association and the Improvement and Development Agency to explore the feasibility of PSAA seeking to become a 'sector-led body' with the ability to enter into contracts and appoint auditors to local bodies in the new regime. Further information will be provided on PSAA's website as this work progresses.

### **3. Results of auditor's work 2014/2015: local government bodies, Public Sector Audit Appointments Ltd, December 2015**

This is the first report for local government bodies published by Public Sector Audit appointments Ltd (PSAA), and it summarises the results of auditors' work at 509 principal bodies and 9,755 small bodies for 2014/2015. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors utilised their statutory reporting powers.

The timeliness and quality of financial reporting for 2014/2015 remained broadly consistent with the previous year for both principal and small bodies. Against a background of financial challenges, the sector is clearly working hard to achieve appropriate standards in its stewardship of resources.

Auditors at 97 per cent of principal bodies were able to issue the opinion on the 2014/2015 accounts by 30 September 2015, with 23 bodies receiving an unqualified audit opinion by 31 July 2015. For the second year in a row there have been no qualified opinions issued to date to principal bodies (at the time of this report being written). The number of qualified conclusions on value for money arrangements remained consistent with the previous year at 4 per cent.

For small bodies, auditors were able to issue their opinion on the annual return by 30 September 2015 at 99 per cent of parish councils and internal drainage boards. This is consistent with the previous year.

<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>

#### **4. Cipfa: Guide to auditor panels, December 2015**

This publication is aimed at those within local authorities who will have a role to play in deciding how and who to appoint as their organisation's local auditors.

It has been commissioned by DCLG, and a working group including DCLG, NAO, Public Sector Audit Appointments Limited (PSAA) and other stakeholders have ensured that the guidance is relevant and specific to authorities.

<http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf>

#### **5. Mazars: Public services blog 'Let's talk public services'**

Mazars has launched a blog 'Let's talk public services' where Mazars' team of auditors and advisors working with UK public service organisations can provide a place in which public service practitioners can exchange experience and ideas relevant to their jobs. The blog can be found here:

<http://blogs.mazars.com/lets-talk-public-services>

# 04 Contact details

Please let us know if you would like further information on any items in this report.

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# Appendix

## **Changes arising from the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015**



Changes to legislation which sets the framework for the work we undertake on local authority statement of accounts will lead to changes in the audit process and timetable.

The relevant legislation can be found here:

The Local Audit and Accountability Act 2014:

<http://www.legislation.gov.uk/ukpga/2014/2/contents/enacted>

Accounts and Audit Regulations 2015:

[http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi\\_20150234\\_en.pdf](http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi_20150234_en.pdf)

### Arrangements for the publication and audit of the statement of accounts

The changes to legislation do not change the publication and audit process to a great degree, however there are differences that we, and our clients need to be aware of. These, and the timings involved, are set out in the table below:

|   | Action  | Regulation                | Timing (15/16 and 16/17)   | Timing (17/18 onwards)   |
|---|---|---------------------------|--|--|
| 1 | RFO signs and dates the statements and confirms that they present a true and fair view  | 9(1)(a)                   | Prior to publication of draft statements (see below)   | Prior to publication of draft statements (see below)   |
| 2 | RFO must publish (including publication on the authority's website): <ul style="list-style-type: none"> <li>• The statement of accounts and an accompanying declaration that they are unaudited and subject to change</li> <li>• The AGS (whether approved or not)</li> <li>• The Narrative Statement</li> <li>• A statement that sets out <ul style="list-style-type: none"> <li>○ The period for the exercise of public rights</li> <li>○ Details of the manner in which notice of the intention to documents should be given</li> <li>○ The name and address of the auditor</li> <li>○ The provisions of section 26 and 27 of the LAAA 2014</li> </ul> </li> </ul> | 15(2)                     | By 30th June* by virtue of the fact that the period for the exercise of public rights (3 below) must include the first 10 working days of July as per 15(1)(a) as adjusted by 21(b). | By 31st May* by virtue of the fact that the period for the exercise of public rights (3 below) must include the first 10 working days of June as per 15(1)(a). |
| 3 | RFO must commence the period for the exercise of public rights and notify the auditor of the date on which the period commences. The period must be a single period of 30 working days as per regulation 14(1) and must include the first 10 working days of July (for 2015/16 and 2016/17) as explained above.   | 9(1)(b)<br>And<br>9(1)(c) | The day following the date on which the RFO has met the responsibilities in (2) above.   | The day following the date on which the RFO has met the responsibilities in (2) above.   |

|   |  |               |                               |                          |
|---|--|---------------|-------------------------------|--------------------------|
| 4 | Following conclusion of the period for exercise of public rights the accounts must be:<br>1. considered by members (committee or meeting as a whole)<br>2. re-confirmed by the RFO on behalf of the authority that the statement of accounts presents a true and fair view before the accounts are approved<br>3. approved by the same committee or meeting<br>4. signed – this must be by the person who presides over the meeting where the accounts were considered and approved. | 9(2) and (3)  | By 30 <sup>th</sup> September | By 31 <sup>st</sup> July |
| 5 | The approved and audited accounts, approved AGS, and Narrative Statement, must be published (including on the authority's website)   | 10(1)         | By 30 <sup>th</sup> September | By 31 <sup>st</sup> July |
| 6 | An authority must publish (including on the authority's website) that the audit has been concluded and that the statement of accounts has been published.  | 16 (1)and (2) | By 30 <sup>th</sup> September | By 31 <sup>st</sup> July |

*\* The exact date will depend on when the first working day falls in July (for 2015/16 and 2016/17) and in June (for 2017/18 onwards).*

#### **Further information on public rights under the LA&A Act**

##### Period for exercise of rights

The period for questions to the auditor is now restricted to the 30 days of the inspection period, there is no appointed date for questions to the auditor. As noted above, the period must include the first 10 working days of July in for the audit years 2015/16 and 2016/17 under the transitory arrangements.

Calling the audit is no longer the responsibility of the auditor; it has been superseded by the notification of the period for public rights by the RFO (point 3 in the table above).

There is no longer a set date for questions to the auditor, but a local elector must be given the opportunity to question the auditor about the accounting records if they request it (section 26(2) of the LA&A Act). Rights of objection also remain (section 27 of the LA&A Act). All objections to the auditor must be made in writing and be copied to the authority. Regulation 14(1) makes it clear that the rights conveyed by sections 26 and 27 of the Act may only be exercised within the single 30 day period.