

**At a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the CIVIC CENTRE on Friday 23 March 2012**

**Present:**

Mr J P Paterson in the Chair

Councillor Tate.

**In Attendance:**

Malcolm Page (Executive Director of Commercial and Corporate Services), Paul Davies (Head of Corporate Assurance and Procurement), Jonathan Rowson (Assistant Head of Law and Governance), Tracy Davis (Audit, Risk and Assurance Manager), John Jordan (Corporate Risk Manager), Ian Rutter (Audit Commission) and Gillian Warnes (Principal Governance Services Officer).

**Declarations of Interest**

There were no declarations of interest.

**Apologies for Absence**

Apologies for absence were received from Councillors Forbes, Rolph, Speding, T Wright and Mr G N Cook.

**Minutes**

44. RESOLVED that the minutes of the meeting of the Committee held on 10 February 2012 be confirmed and signed as a correct record.

**Internal Audit Progress Report**

The Head of Corporate Assurance and Procurement submitted a report detailing the performance of Internal Audit up to 24 February 2012, the areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

All of the Key Performance Indicators were on target with two exceptions. One of these was the percentage of audits completed by the target date which stood at 74% against a target of 80%, however this was not considered to be of any concern. The percentage for implementation of medium risk recommendations was below target with a specific issue in Health, Housing and Adult Services. The Head of Corporate Assurance and Procurement advised that there were six follow up audits taking place within Health, Housing and Adult Services which were due to be completed by the end of March. These would identify if the overall picture within the Directorate was improving and if this was not the case, senior officers would again be asked to attend the next committee to provide explanations.

Members' attention was drawn to the audit coverage of Key Risk Areas at Appendix 2 of the report and the Committee was informed that the Internal Audit service was on target to complete sufficient work in these areas by the end of the financial year to be able to provide an opinion on each.

Councillor Tate queried the unsatisfactory conclusion on the audit of Access to IT Systems with movement of employees. The Head of Corporate Assurance and Procurement advised that this reflected the fact that there had been occasions whereby ICT equipment had been reissued without being cleansed properly. There were some issues with regard to ICT asset management, i.e. the quality of the ICT inventory. Issues had also been noted with the registering of new equipment on inventories and the security of the ICT build room at Moorside. However, improvements had been made since the audit and the actions agreed would be followed up.

Having considered the report, the Committee: -

45. RESOLVED: -
- (i) that the information regarding progress against the planned audit work for the year and performance targets be noted; and
  - (ii) the opinion that the Council continues to have an adequate system of internal control be noted.

### **Corporate Risk Profile**

The Executive Director of Commercial and Corporate Services presented a report outlining the findings of the most recent review of the Corporate Risk Profile which had been agreed by the Executive Management Team on 13 March 2012.

The new Corporate Risk Profile covered seven strategic risk areas which relate to the delivery of the Council's strategic priorities. These risks were all challenging areas which the Executive Management Team had identified and that would be subsequently monitored to ensure mitigating actions were in place.

Councillor Tate asked about the localisation of business rates within the 'Reduced Resources' risk area and the Executive Director of Commercial and Corporate Services stated that it was likely to be the end of the Autumn before the full information was available. Until it was clear how the system would work, it was not possible to engage with members on the detail of the new arrangements. The Council was in a similar situation with the localisation of council tax and formula grant.

Councillor Tate also made reference to the plan for the armed forces to have a 100% grant for council tax and the Executive Director noted that this would have to be included in any specific considerations. It was already known that 10% would be sliced off the resources available for council tax benefit for the 2013/2014 financial year.

Following discussion it was: -

46. RESOLVED: -
- (i) that the Corporate Risk Profile be endorsed; and
  - (ii) the inclusion of the strategic risk areas within the Corporate Assurance Map be noted.

### **Corporate Assurance Map 2012/2013**

The Head of Corporate Assurance and Procurement presented the proposed Corporate Assurance Map and supporting plans for the Internal Audit and Risk and Assurance teams for 2012/2013.

The Committee had previously approved the introduction of an Integrated Assurance Framework which aimed to co-ordinate the sources of assurance within the Council and identify a clear corporate lead.

Turning to the Corporate Assurance Map, the Head of Corporate Assurance and Procurement explained that the map was split into strategic risks, which were risks to the priorities of the Council, and corporate risks, which were inherent risks that the Council would face, regardless of its priorities.

The Corporate Risk areas were mainly the key audit areas and were colour coded (green, amber and red) to indicate the starting opinion for each area. Where the map was white, this indicated that no work had yet been done to generate an opinion. Management assurance was to be provided by self certification and other assurance would be received from key areas across the Council. The Risk Assurance team would look at systems development and carry out some fraud work and the new Internal Audit team would focus on co-ordinating activity within the Corporate Assurance Map and carrying out audits where an independent level of assurance was required.

The plans of work for the Risk and Assurance and Internal Audit teams were set out in Appendices 1 and 2 of the report and Key Performance Indicators and Targets were at Appendix 3.

Progress would be reported on a quarterly basis and if work carried out altered the starting audit opinion then this would be highlighted in the report to the Audit and Governance Committee. An Annual Report would be provided at the end of the financial year.

The Executive Director of Commercial and Corporate Services commented that the strength of the new system was its proactive and dynamic approach which also enabled the assurance position of the whole organisation to be viewed on one sheet of paper.

Councillor Tate queried if the issue of devolving power to area committees would be added as a risk area. The Head of Corporate Assurance and Procurement advised that the corporate risk areas on the map covered areas such as legality and procurement and these were the cross cutting risk themes which underpinned all parts of the Council, including area committees. These themes would be looked at as a whole and then individual issues highlighted separately.

The Chair asked if there was a timetable for the work within the Corporate Assurance Map and it was explained that the Committee would be able to monitor the progress of work by looking at the areas which were completed on the map at each quarterly update.

47. RESOLVED that the Corporate Assurance Map and supporting plans for the Internal Audit and Risk Assurance teams be received and noted.

### **Local Public Audit – Update on Auditor Appointment**

The Executive Director of Commercial and Corporate Services submitted a report providing an update on the appointment of the external auditor to the Council.

The procurement exercise had been completed and the contract for the North East region awarded to the DA Partnership which would be a wholly owned subsidiary of Mazars and would trade as Mazars DA. The contracts had been awarded for five years and would start in September 2012.

The Audit Commission envisaged that the appointment of external auditors and other efficiencies would generate significant reductions in audit fees for local public bodies. Details of the how the fee reductions would impact on Sunderland would be provided at a later date.

48. RESOLVED that the report be noted.

## **Proposed Forward Plan of Reports**

The Executive Director of Commercial and Corporate Services submitted a report presenting the proposed Forward Plan of reports for 2012/2013.

The Committee were informed that there would be four quarterly meetings at which the Committee would consider the Corporate Assurance Map alongside other reports. An additional meeting was scheduled for February 2013 in order to consider the Treasury Management Policy and Strategy so that it can then be agreed by the Cabinet in February and Council in March, in line with best practice.

Having considered the report, the Committee: -

49. RESOLVED that the Forward Plan of reports for 2012/2013 be agreed.

(Signed) J P PATERSON  
Chairman

