

AUDIT AND GOVERNANCE COMMITTEE

29 June 2012

CORPORATE ASSURANCE MAP - UPDATE

Report of the Head of Corporate Assurance and Procurement

1. Purpose of Report

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

2. Description of Decision

- 2.1 The Audit and Governance Committee are asked to note the report and comment on the updated Corporate Assurance Map.

3. Background

- 3.1 In March 2012 the Committee approved the proposed Corporate Assurance Map for 2012/13 and the plans of work for Internal Audit and Risk & Assurance.
- 3.2 Members will recall that the assurance position in relation to the corporate risk areas was either Amber or Green in all cases, and that this was a positive position given the significant amount of change ongoing within the Council, with a significant movement of staff and changes to procedures and ways of working. The Map showed that although there were improvements needed in a number of areas there has not been any significant breakdown in control during this period of unprecedented change.
- 3.3 The Map, at that time, was prepared based on knowledge of the assurance position from Internal Audit work, a risk assessment covering all of the corporate risk areas and consultation with the Chief Executive, all Executive Directors and key offers across the Council.
- 3.4 A key feature of the new integrated assurance framework was to co-ordinate assurance that could be provided by other functions within the Council and

consider if there are any gaps or duplication in the assurance provided from all sources.

4. Updated Corporate Assurance Map

- 4.1 The updated Corporate Assurance Map, as at 31st May 2012, is shown overleaf. This has been updated based on the work to date of the Internal Audit, and Risk and Assurance Teams and assurance from external sources.
- 4.2 The top section of the Map relates to the management of strategic risks identified in the Corporate Risk Profile. The current status of the profile is that risks were agreed by the Committee in March 2012 and detailed mitigating actions have been developed and agreed with risk owners to manage those risks. A summary of the action areas that have been agreed are shown in Appendix 1. Work will continue in relation to providing assurance regarding the controls already in place and the implementation of the key mitigating actions as the year continues and will be reported through the update of the Corporate Assurance Map.
- 4.3 The rest of the Map considers the Council's corporate risk areas. Assurance in respect of these comes from a number of sources which are identified on the Map. Assurance from any source is identified separately with some following commentary.
- 4.4 The detailed results of Internal Audit work are shown at Appendix 2, with the summary outcomes shown on the Map.
- 4.5 Areas that the Risk and Assurance Team are currently involved in are shown at Appendix 3. Much of their work is ongoing over a period of time due to the nature of their role, however, where ongoing assurance can be provided from their work this is shown on the Map.
- 4.6 Work is ongoing to gather assurance from other assurance sources within the Council, and from management. The results of this work will be reported through the updated Corporate Assurance Map in future Committee Meetings.

Corporate Assurance Map

Assurance Position (as at 31 st May 2012) (Cumulative)	2012/2013								
	Management Assurance	Other Internal Assurance Activity					Risk and Assurance	Internal Audit	External Assurance
		Legal Services	Financial Resources	Transformation Programmes and Projects	Strategy, Policy and Performance	HR &OD			
Strategic Risk Areas									
Economy	X				X			X	
Resources (external and internal)	X		X					X	X
Unable to meet needs of the community	X				X			X	
Reputation	X							X	
Social breakdown	X							X	
Lack of effective strategic partnerships	X				X			X	
Planning and responsiveness to national agenda	X				X			X	
Corporate Risk Areas									
Customer Focus / Service	X				X			X	X
Legality		X						X	
Service / Business Planning	X				X			X	
Programme and Project Management				X				X	X
Change Management	X			X		X		X	
Partnerships	X							X	
Business Continuity Planning	X						X		
Procurement	X								X
Relationship and Contract Management	X	X	X					X	X
Financial Management	X		X					X	X
Human Resource Management						X		X	X
Information Governance	X	X						X	X
Performance Management	X				X			X	X
Asset Management	X							X	
ICT Strategy and Delivery	X			X				X	
Fraud and Corruption	X								X
Risk Management (Service Delivery)	X							X	
Housing Benefits	X								X
Schools	X		X					X	X

Key: X=activity planned, White=no coverage, **Green**=full / substantial assurance, **Amber**=moderate assurance, **Red**=limited / no assurance
Previously described as: **Good** **Satisfactory** **Unsatisfactory**

- 4.7 From the Map shown above Members can see the areas where work has resulted in assurance being provided. Internal Audit have completed a number of audits, the results of which are provided in Appendix 2 with the summary shown on the Map above. All work completed by Internal Audit so far has provided either Full or Substantial assurance. Results from the recent work investigating the data matches from the National Fraud Initiative have identified a very low level of discrepancies, resulting in a Substantial level of assurance being provided in relation to this area of work.
- 4.8 As mentioned previously, the Risk and Assurance Team are involved in supporting clients right across the Council. Specific work which has resulted in assurance being provided relates to the project to implement the Local Authority Controlled Company, Care and Support Sunderland Ltd. It can be seen that the results of work in this area have provided a moderate level of assurance. This is due to the company still establishing its systems and dealing with problems which were inherited from the previous provider of the service. A significant amount of work is ongoing to deal with these.
- 4.9 The Risk and Assurance Team have also provided support to 12 schools to help them manage their risks. This takes into account assessments undertaken by other departments in the Council. Considering the work done by the Safeguarding, Asbestos, Internal Audit and the Risk and Assurance Team, the overall assessment for schools is considered to be substantial.
- 4.10 The Map shows four areas where Full or Substantial assurance has been received from external sources. This relates to the results of the recent OFSTED inspection into safeguarding children and services for children looked after. The results of the inspection gave an overall rating of 'Good' and specific ratings in relation to relevant Corporate Risk areas are shown.
- 4.11 The overall level of assurance for all corporate risk areas has not changed, and remains positive. During the course of the year, as more work is undertaken and assurance gathered from other internal sources, it is expected that the Assurance Position (i.e. levels of assurance) shall improve (i.e. more Green).

5. Internal Audit Performance

- 5.1 The performance in relation to targets set for Internal Audit is shown at Appendix 4. Performance is currently on target apart from 3 areas, as follows:
- Internal Audit have so far issued audit reports in relation to five planned audits and two unplanned audits. Performance in relation to the timeliness of issuing draft audit reports and completing audits by the target date is currently behind target. This is due to one audit report being delayed and it is expected that performance for both of these targets will improve during the year.
 - The percentage of medium risk recommendations implemented currently

stands at 89% (excluding schools) against a target of 90%. This is a 2% increase since the end of the previous financial year.

A summary of the performance by directorate for medium risk recommendations is shown in the table below:

Directorate / Body	Implementation Rate – Mar	Implementation Rate – May
Children’s Services (non schools)	88%	88%
City Services	94%	94%
Office of the Chief Executive	85%	91%
Commercial and Corporate Services	93%	93%
Health, Housing & Adult Services	74%	74%
Implementation Rate (exc. Schools)	87%	89%
Schools	86%	86%
Total Implementation Rate	86%	87%

As reported in the Annual Report for 2011/12, Health, Housing and Adult Services had improved their rate significantly by the end of the year. The new monitoring arrangements are proving to be effective and Internal Audit officers have also given a presentation to many Managers within the Directorate to allow discussion of this issue. It is expected that performance will continue to improve as the year moves on.

6. Summary of the work of the Risk and Assurance Team

- 6.1 Appendix 3 shows that the Risk and Assurance Team are involved in many of the major areas of work/change that are ongoing in the Council to provide support, guidance and challenge in respect of managing risks.

7. Conclusions

- 7.1 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.
- 7.2 Results of the work undertaken so far during the year have not highlighted any issues which affect the opinion that overall throughout the Council there continues to be an adequate system of internal control.

8. Recommendations

- 8.1 The Audit and Governance Committee are asked to note the report and comment on the updated Corporate Assurance Map.

Corporate Risk Profile 2012/13 – Update

RISK 1

Risk Area	Proposed Risk Description	Risk Owner	Likelihood	Impact	Rating	Action Areas
ECONOMY	Adverse market conditions may delay progress and reduce momentum in achieving the benefits of the Economic Masterplan	Janet Johnson, Deputy Chief Executive	3 Likely	4 Critical	12 High	<ul style="list-style-type: none"> Developing the Enterprise Zone Capital and Revenue Financial Incentives Policies Development of the Port Development of regeneration sites, e.g. Vaux site, Magistrates' Square and Stadium Village. Inward Investment Marketing Strategy Enterprise and Innovation Strategy Zero Carbon Futures and low carbon vehicle sector Investment corridors Implementation of the Sunderland Employment Strategy and Sunderland Skills Strategy
Context	Further decline in the national economy and reduction in public sector budgets will adversely impact the ability to grow the local economy and impact on employment					

RISK 2

Risk Area	Proposed Risk Description	Risk Owner	Likelihood	Impact	Rating	Action Areas
REDUCED RESOURCES	Further significant budget cuts	Malcolm Page, ED of Commercial and Corporate Services	3 Likely	4 Critical	12 High	<ul style="list-style-type: none"> Delivery of key transformation projects Delivery of Directorate based efficiency projects Employee engagement regarding turnover and workforce reduction Procurement of a Local Asset Backed Vehicle Assessment of the savings requirements through update of the Medium Term Financial Plan
Context	The budget settlements, Local Government Resource Review and localisation of business rates may significantly impact on the council's financial position.					

RISK 3

Risk Area	Proposed Risk Description	Risk Owner	Likelihood	Impact	Rating	Action Areas
COMMUNITY NEEDS	The scale of the compound change in the short/medium term within the City is such that the Council is unable to effectively respond to the needs of people and communities	Keith Moore, ED of Children's Services & Neil Revely, ED of Health Housing & Adult Services DCX	2 Possible	4 Critical	8 Medium	<ul style="list-style-type: none"> • Analysis of the Joint Strategic Needs Assessment • Corporate Insight group to develop engagement and participation strategies • Phase two of Responsive Local Services • Establish Area Children Boards • Establish Area People Boards • Deliver priorities set out in the Sunderland Child and Family Poverty Strategy, Health and Well-Being Strategy • Safeguarding of most vulnerable groups through responding to the findings of the Serious Case Review • Transfer of Public Health • Strengthening Families agenda
Context	The Council's has a community leadership role to identify and respond to changing community needs such as unemployment, health and housing.					

RISK 4

Risk Area	Proposed Risk Description	Risk Owner	Likelihood	Impact	Rating	Action Areas
COMMUNITY NEEDS	The Council may not identify effective ways of influencing the school improvement agenda so that all children achieve their full potential	Keith Moore, ED of Children's Services	2 Possible	3 Significant	6 Medium	<ul style="list-style-type: none"> • Partnership between the Local Authority, schools and academies • Local Leaders in Education • Establish an excellence centre (Teaching School) • New Education Leadership Board to establish a city-wide education strategy • Traded services to schools • Young people who are a risk of becoming NEET • Raising Participation Age • Implementation of the Sunderland Employment Strategy • Implement the Sunderland Skills Strategy
Context	Government policy changes have resulted in Local Authorities having reduced influence over schools. A reduction in Government grants has reduced funding for services such as school improvement.					

RISK 5

Risk Area	Proposed Risk Description	Risk Owner	Likelihood	Impact	Rating	Action Areas
REPUTATIONAL AND INFLUENCING	The reputation of the council may be seriously damaged through negative media coverage on a particularly sensitive issue	Deborah Lewin, Director of Communications	2 Possible	3 Significant	6 Medium	<ul style="list-style-type: none"> • Sensitive media issues • Court cases and serious case reviews • Good relationship with Sunderland Safeguarding Children Board • Positive media
Context						
Council actions are under an increased level of publicity scrutiny and there has been a huge growth in online and digital media allowing media stories to be spread very quickly.						

RISK 6

Risk Area	Proposed Risk Description	Risk Owner	Likelihood	Impact	Rating	Action Areas
SOCIAL BREAKDOWN	Communities may be unable to positively respond to and cope with changes brought about by the Welfare Reforms and economic climate	Ron Odunaiya, ED of City Services Malcolm Page ED of Commercial and Corporate Services	2 Possible	3 Significant	6 Medium	<ul style="list-style-type: none"> • Community resilience plan and the various areas of impact
Context						
Welfare reforms may adversely impact upon the quality of life within communities. There could be a lack of resilience and ability to maintain and/or improve standards of living.						

RISK 7

Risk Area	Proposed Risk Description	Risk Owner	Likelihood	Impact	Rating	Action Areas
SOCIAL BREAKDOWN	If the City becomes unattractive to residents, businesses and visitors, this would adversely impact upon the ability to build lasting neighbourhoods	Ron Odunaiya, ED of City Services	2 Possible	3 Significant	6 Medium	<ul style="list-style-type: none"> Housing Development Strategy Availability of Superfast Broadband Seaburn Masterplan. Sunderland Strategic Transport Corridor Local Transport Plan Network Management Plan Community Safety Plan City Villages approach Community Leadership Programme Schools investment plan
Context						
Economic conditions make it more difficult to attract investors and developers. Reduction in public sector budgets will adversely impact on investment.						

RISK 8

Risk Area	Proposed Risk Description	Risk Owner	Likelihood	Impact	Rating	Action Areas
PARTNERSHIPS	Inadequate engagement with partners may lead to missed opportunities to co-design services and to share or transfer responsibilities for delivering successful outcomes	Sarah Reed, Assistant Chief Executive	2 Possible	3 Significant	6 Medium	<ul style="list-style-type: none"> Voluntary and Community Sector Collaborative Leadership across the city Health and Wellbeing Board Promote the involvement of Partners with the proposed Place and People Review public sector finances across the City Integrate family focus approach with Partners
Context						
Financial pressures on Council and partners affecting local provision – varying standards of quality. Other organisations may develop joint working whilst the Council is developing its own business operating model.						

RISK 9

Risk Area	Proposed Risk Description	Risk Owner	Likelihood	Impact	Rating	Action Areas
PLANNING AND RESPONSIVENESS	Unable to be responsive to changes in government policy direction and broader external environment in a timely way	Janet Johnson, Deputy Chief Executive	2 Possible	2 Moderate	4 Medium	<ul style="list-style-type: none"> Horizon scanning Simplify and join up the major Council strategies Peer review
Context						
New government introducing a number of different policies in a short period of time.						

Detailed Internal Audit Coverage

Corporate Risk Area	Audits Planned 2012/13	Assurance Provided (audits in 2012/13)	IA Overall Opinion (Assurance)
Customer Focus	Children's Services Admissions Area Arrangements for Children's Centres Children's Services – Safeguarding Personal Budgets		Moderate
Legality	Traffic Management and Road Safety Equality Impact Assessments Corporate Legality	Ongoing Ongoing	Moderate
Service / Business Planning	Corporate Service/Business Planning Children's Services Admissions Area Arrangements for Children's Centres Children's Services – Safeguarding Traffic Management and Road Safety		Moderate
Programme and Project Management	Implementation of the Economic Master Plan Landscape and Reclamation Service Programme and Project Management - support to major projects Operating Model – realisation of benefits		Substantial
Change Management	Non Planned – to be covered by the Risk and Assurance Team		None (new risk area)
Partnerships	Non Planned – to be covered by the Risk and Assurance Team		Moderate
Business Continuity and Emergency Planning	Non Planned		Moderate
Procurement	Capital Procurement Unplanned Audit – Revenue Procurement	Substantial	Moderate
Relationship and Contract	Developments in relation provision of Events Care and Support Sunderland Ltd – contract management		None (new risk area)

Corporate Risk Area	Audits Planned 2012/13	Assurance Provided (audits in 2012/13)	IA Overall Opinion (Assurance)
Management	Corporate Contract Management Framework		
Financial Management	YPLA Schools Sixth Form Grant YPLA Young Apprenticeships Cohort 6 Grant YPLA Young Apprenticeships Cohort 7 Grant Department for Business Innovation & Skills – LEP Start Up Fund Department for Business Innovation & Skills – LEP Capacity Fund Deprived Areas Fund Grant Single Investment Programme Grant 1 Leisure Centre 35 Schools Home Improvement Agency – Loans and Mortgages Personal Budgets Direct Payments Care and Support Sunderland Ltd – compliance Landscape and Reclamation Service BACS Payments Cash Receipting checks Capital Procurement Payroll transactions checks Council transactions Tax checks Business Rates transactions checks Accounts Payable transactions checks Accounts Receivable transactions checks	Substantial Substantial Substantial Full Full	Substantial
Human Resource Management	Corporate Attendance Management Arrangements Management of SWITCH		Moderate
Information Governance	Vulnerable Adults Protection Arrangements Information Governance checks		Moderate
Performance Management	Corporate Performance Management Arrangements (new arrangements) Operating Model – Realisation of Benefits	Substantial	Moderate

Corporate Risk Area	Audits Planned 2012/13	Assurance Provided (audits in 2012/13)	IA Overall Opinion (Assurance)
Asset Management	None Planned – to be covered by the Risk and Assurance Team		Moderate
ICT Strategy and Delivery	Non Planned – to be covered by the Risk and Assurance Team		Moderate
Fraud and Corruption	Counter Fraud Checks National Fraud Initiative checks Counter Fraud Checks – schools Home Improvement Agency – Loans and Mortgages Direct Payments Cash Receipting transactions checks Payroll transactions checks Council Tax transactions checks Business Rates transactions checks Housing Benefits transactions checks Accounts Payable transactions checks Accounts Receivable transactions checks		Moderate
Risk Management (service delivery)	Non Planned – to be covered by the Risk and Assurance Team		Substantial
Housing Benefits	Housing Benefit transactions checks		Moderate
Schools	4 school audits completed	1 - Full 2 - Substantial 0 - Moderate 1 - Limited 0 - No assurance	Substantial

Risk and Assurance Activity

Area of activity	Work ongoing
Corporate Risk Profile	Mitigating actions agreed, assurance plans to be developed in relation to current controls and agreed mitigating actions
Supporting Executive Directors and Heads of Service to manage risks	Activity is ongoing in all Directorates to aid the managing of risks through service planning, programmes and key projects and partnerships
Service Reviews (including alternative service delivery models), Programmes and Projects (including ICT)	Major projects / service reviews being supported Include: <ul style="list-style-type: none"> • SSTC - New Wear Crossing • Care and Support Services – Adults • Events Management • New arrangements for Design and Print • Transfer of Public Health • Customer Service Network • Transport and Fleet Management • Facilities Management • ICT – Corporate Computing Model • ICT – Cloud development and strategic direction • Economic Master Plan • Workforce Development • Welfare Reform • Customer Relationship Management system replacement • Safeguarding – Childrens • Personalisation – Adults
Support to Schools	Support has been provided to 12 schools so far in relation to managing their risks
Partnerships	Support is being provided to the following specific Partnerships:

Area of activity	Work ongoing
	<ul style="list-style-type: none"> • Sunderland Economic Leadership Board • Waste Management Partnership • Health and Wellbeing Board • Sunderland Safeguarding Adults Board
Governance Review	The results from Risk and Assurance activity feed into the Annual Governance Review and the Annual Governance Statement.
Investigations	Three investigations are currently ongoing

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2012/13			
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	1) All key risk areas covered over a 3 year period	1) On target
	2) Percentage of draft reports issued within 15 days of the end of fieldwork	2) 90%	2) Behind target - 83%
	3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report)	3) 70%	3) Behind target - 67%
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 recommendations made by the service are agreed and implemented	2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented	2) 100% for high and significant. 90% for medium risk	2) On target – significant 100% Behind target - Medium 87% (excluding schools)

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2012/13

Client Satisfaction

Objectives	KPI's	Targets	Actual Performance
1) To ensure that clients are satisfied with the service and consider it to be good quality	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires 3) Number of Complaints / Compliments	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor) 2) Results classed as 'Good' 3) No target – actual numbers will be reported	1) On target - 1.1 to date 2) Non undertaken 3) 2 compliments 0 complaints