

**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 (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% (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) Transformational Change programme (16 days) Leaving Care Grants (8 days) Bereavement Services (8 days)
Legality	31%	Results of Corporate Governance Review in recent years have not identified major issues.  Head of Law and Governance receives and comments on all Cabinet reports. Monitoring Officer Protocol in place.  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) Transformational Change programme (16 days) 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% (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. 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%	<p>Corporate framework approved and being rolled out.</p> <p>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.</p> <p>Needs to be further development of contract management arrangements prior to ASDM go live.</p>	Highways Construction Projects – Contract Monitoring (12 days) Leisure Services Management (10 days)
<p>Financial Management</p> <p>Local Taxation</p> <p>Payroll</p>	<p>46%</p> <p>22%</p> <p>40%</p>	<p>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. Transformation team now reporting progress in achieving savings targets.</p> <p>5 year savings plan being developed</p> <p>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.</p> <p>Corporate systems well controlled although subject to some change. No material errors in recent history.</p> <p>High volume of transactions.</p>	<p>EFA Grant (2 days)</p> <p>Troubled Families Performance Reward Grant (2 days)</p> <p>Sport for Life Grant (5 days)</p> <p>Local Transport Capital Maintenance Block Grant (5 days)</p> <p>Local Transport Capital Integrated Transport Grant (4 days)</p> <p>Nexus Grant (1 day)</p> <p>Big Coastal Communities Grant (5 days)</p> <p>SSTC2 Grant (10 days)</p> <p>Sunderland a City by the Sea Grant (5 days)</p> <p>Leaving Care Grants (8 days)</p> <p>Calculation of Clients Contributions (12 days)</p> <p>Port Fuel System (8 days)</p> <p>Transformational Change programme (16 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>Asset Register / Capital Accounting (10 days)</p> <p>Accounts Receivable and Periodic Income (20 days)</p> <p>Accounts Payable (25 days)</p>



Corporate Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	Audits Planned 2016/17
Human Resource Management	52% (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  2) Percentage of draft reports issued within 15 days of the end of fieldwork  3) Percentage of audits completed by the target date  4) Cost per £m Turnover	1) All corporate risk areas covered over a 3 year period  2) 90%  3) 80%  4) Lower than average within CIPFA Benchmarking Club
<b>Quality</b>		
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>
1) To maintain an effective system of Quality Assurance  2) To ensure recommendations made by the service are agreed and implemented	1) Opinion of External Auditor  2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented	1) Satisfactory opinion  2) 100% for high and significant. 90% for medium risk
<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  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

