

AUDIT AND GOVERNANCE COMMITTEE

28 September 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 consider the updated Corporate Assurance Map (the 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 At that time, the Map 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.
- 3.3 A key feature of the new integrated assurance framework is 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 24th August 2012, is shown overleaf. It has been updated based on the work to date of the Internal Audit, and Risk and Assurance Teams and assurance from other sources within the Council and external sources.

Corporate Assurance Map

Assurance Position (as at 24 th August 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	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	
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**

Strategic Risk Areas

- 4.2 The top section of the Map relates to the management of strategic risks identified in the Corporate Risk Profile. A summary of the action areas that have been agreed are shown in Appendix 1, along with some key actions taken to date. Given the nature of these risks the focus has been on agreeing the detailed actions. Within the next quarter progress against each of the actions shall be assessed with the lead officers and assurance levels determined for all areas. The overall rating of the strategic risk areas has not changed.

Assurance from Internal Audit

- 4.3 The detailed results of Internal Audit work are shown at Appendix 2, with the summary outcomes shown on the Map. All work completed by Internal Audit so far has provided either Full or Substantial assurance.

Assurance from Risk and Assurance Team

- 4.4 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. Assurance within the second quarter has concentrated on the preparation for the procurement stage of the new Wear Bridge Crossing, the implementation of the project to develop a Local asset Backed Vehicle and assurance gathered in relation to schools. A significant amount of time is also being spent supporting the Council's initiatives to meet its budget pressures and reduce the size of the workforce. This work is still ongoing.
- 4.5 The Risk and Assurance Team have also provided support to 20 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. Further visits to schools will commence during the Autumn term.

Assurance from others within the Council

- 4.6 Meetings have been held with all of the Heads of Service from other parts of the Council who will be providing assurance through the Map. Work is ongoing to gather assurance from them, and from management. Assurance has been provided by the Head of Law and Governance in relation to Corporate Legality and Information Governance. The Head of Financial Resources has also provided assurance in relation to Financial Management based on a self assessment against industry standards regarding financial management arrangements. The Head of Transformation, Programmes and Projects has provided assurance in a number of areas as shown on the Corporate Assurance Map. This has provided a view on Change Management for the first time.

Assurance from External Sources

- 4.7 The Map shows five 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, and the value for money opinion of the Audit Commission. The results of the OFSTED inspection gave an overall rating of 'Good' and specific ratings in relation to the relevant Corporate Risk areas are shown.
- 4.8 The overall level of assurance for Legality and Procurement has improved to Full/Substantial since the last update report, due to the results of internal audit work in both of these areas.

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:
- The percentage of medium risk recommendations implemented currently stands at 81% (excluding schools) against a target of 90%.

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

Directorate / Body	Implementation Rate – May	Implementation Rate – Aug
Children's Services (non schools)	88%	68%
City Services	94%	94%
Office of the Chief Executive	91%	77%
Commercial and Corporate Services	93%	86%
Health, Housing & Adult Services	74%	79%
Implementation Rate (exc. Schools)	89%	82%
Schools	86%	87%
Total Implementation Rate	87%	84%

The main reason for the reduction in the overall implementation rate within Children's Services relates to the audit of the Adoption Service, of the 15 actions agreed, five were implemented. A number of the actions related to the reviewing of allowances and monitoring arrangements which were due to be implemented by December 2011. The Head of Service has confirmed that since the follow up was undertaken changes to the monitoring arrangements have already been put in place. It is expected that a positive position will be reported to the next committee meeting.

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 consider 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				<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			3 Likely	4 Critical	12 High	<p>Progress</p> <ul style="list-style-type: none"> Risk workshop arranged and consultants to be procured for feasibility stage of Site 3 of the Enterprise Zone Risk register in place for the development of the Port, further work required in relation to specific development areas Risk register developed and assurance plan to be prepared in relation to Magistrates Square and St Mary’s Boulevard procurement phase Regular meetings being held with Project Manager of the Vaux site to provide support as needed A new marketing strategy MAKE it Sunderland was launched in May with a new website “Sunderland is open for Business, Open to Business” Draft Enterprise and Innovation strategy produced to be presented to the Economic Leadership Board Superfast broadband installed in large areas of the City with work ongoing

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				<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.					<p>Progress</p> <ul style="list-style-type: none"> • Robust business case for the Local Asset Backed Vehicle approved. Moving to procurement phase • Staff survey is planned to determine staff engagement levels • Significant interest shown in the current severance offer will ensure budget gap for 2012/13 is resolved • New approach to transformation being developed and work has been undertaken to identify savings across the Council for the medium term • High level budget planning guidance has also been issued • New Local Council Tax Benefit Scheme considered by Members
			3 Likely	4 Critical	12 High	

RISK 3

Risk Area	Proposed Risk Description	Risk Owner	Likelihood	Impact	Rating	Action Areas
<p>COMMUNITY NEEDS</p>	<p>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</p>	<p>Keith Moore, ED of Children's Services & Neil Revely, ED of Health Housing & Adult Services</p>	<p>2 Possible</p>	<p>4 Critical</p>	<p>8 Medium</p>	<ul style="list-style-type: none"> • Analysis of the Joint Strategic Needs Assessment • Customer 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
	<p>Context</p> <p>The Council has a community leadership role to identify and respond to changing community needs such as unemployment, health and housing.</p>	<p>Janet Johnson, Deputy Chief Executive</p>				<p>Progress</p> <ul style="list-style-type: none"> • Joint Strategic Needs Assessment used to develop the Health and Wellbeing Strategy • Work has started on the Customer Insight Group with reports produced for area committees • Phase two of Responsive Local Services is in development based around locality working in Children's Services and Health, Housing and Adults Services • Risk register in place for the Transfer of Public Health with the high level risks reducing through co-operative working. Draft board is in place • Family Focus project is developing the Strengthening families agenda

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				<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.			2 Possible	3 Significant	6 Medium	<p>Progress</p> <ul style="list-style-type: none"> Project Board being set up in relation to the partnership between Local Authority, schools and Academies, advice regarding risk identification provided Town End Academy has obtained Teaching School status with the National College for School Leadership Risk workshop held in relation to traded services to schools and risk register produced. This project is continuing.

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.					<p>Progress</p> <ul style="list-style-type: none"> Training provided for Key managers in the Council Arrangements are in place for dealing with sensitive media issues Good relationships are in place with the Sunderland Safeguarding Board

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 Programme of work in relation to Welfare Reforms
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.					<p>Progress</p> <ul style="list-style-type: none"> Action plan for the implementation of the Community resilience plan developed and ready for reporting Options regarding Local Scheme for Council Tax benefit and the Social Fund prepared and considered by members Range of engagement events undertaken with groups affected by the reforms, e.g. landlords Website created to provide information on the changes and potential impacts on individuals

RISK 7

Risk Area	Proposed Risk Description	Risk Owner	Likelihood	Impact	Rating	Action Areas
<p>SOCIAL BREAKDOWN</p>	<p>If the City becomes unattractive to residents, businesses and visitors, this would adversely impact upon the ability to build lasting neighbourhoods</p>	<p>Ron Odunaiya, ED of City Services</p>				<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
	<p>Context Economic conditions make it more difficult to attract investors and developers. Reduction in public sector budgets will adversely impact on investment.</p>					

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 Boards Review public sector finances across the City Integrate family focus approach with Partners <p>Progress</p> <ul style="list-style-type: none"> Health and Wellbeing Board and Family Focus project are considering how public sector funds in the city can be used more effectively to deliver outcomes Family Focus project developed and will develop the Strengthening Families agenda
	Context					

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 <p>Progress</p> <ul style="list-style-type: none"> Horizon scanning ongoing by the Strategy, Policy and Performance Team Work is ongoing regarding the review of Council Strategies Peer Review scheduled to take place in May 2013
	Context					

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	Substantial Full	Substantial
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	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	Substantial
Relationship and Contract Management	Developments in relation provision of Events Care and Support Sunderland Ltd – contract management Corporate Contract Management Framework		None (new risk area)

Corporate Risk Area	Audits Planned 2012/13	Assurance Provided (audits in 2012/13)	IA Overall Opinion (Assurance)
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 Substantial Substantial Full Full Substantial Substantial Substantial	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)	Substantial	Moderate
Asset Management	None Planned – to be covered by the Risk and Assurance Team		Moderate

Corporate Risk Area	Audits Planned 2012/13	Assurance Provided (audits in 2012/13)	IA Overall Opinion (Assurance)
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	Substantial	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	5 - Full 6 - Substantial 0 - Moderate 1 - Limited 0 - No assurance	Substantial

Risk and Assurance Activity

Area of activity	Work ongoing
Corporate Risk Profile	<p>Mitigating actions agreed.</p> <p>Work is ongoing to identify progress in relation all of the mitigating actions. Many of the actions are large and complex in nature and will be implemented over a period of time, or are part of work already ongoing within the Council such as projects and service reviews. Detailed assurance plans are being developed to enable evidence to be obtained on the implementation of actions to address risks, for example, in relation to the Local Asset Backed Vehicle, ICT developments such as the Corporate Computing Model and cloud infrastructure technology and the re-build of Washington Leisure Centre.</p> <p>Although there is a significant amount of work being undertaken it is not possible to give a view of the assurance level in all cases due to the early stage of some of the actions. Where progress can be reported this is shown.</p> <p>An update on progress in relation to all mitigating actions will be provided in the next quarter's report.</p>
Supporting Executive Directors and Heads of Service to manage risks	<p>Activity is ongoing in all Directorates to aid the managing of risks through service planning, programmes and key projects and partnerships. This is being linked to mitigating actions in the Corporate Risk Profile where appropriate. Assurance plans mentioned above are being developed based on the risks identified and actions agreed.</p>
Service Reviews (including alternative service delivery models), Programmes and Projects	<p>Major projects / service reviews being supported include:</p> <ul style="list-style-type: none"> • SSTC - New Wear Crossing • Local Asset Backed Vehicle

Area of activity	Work ongoing
(including ICT)	<ul style="list-style-type: none"> • Care and Support Services – Adults • Events Management • New arrangements for Design and Print • Transfer of Public Health • Smarter Working Phase 2 • St Mary’s Boulevard/Magistrates Square • Customer Service Network • Transport and Fleet Management • Family Focus • ICT – Corporate Computing Model • ICT – Cloud development and strategic direction • Economic Master Plan • Workforce Development • Activities to reduce the size of the workforce • Welfare Reform • Customer Relationship Management system replacement • Safeguarding – Childrens • Personalisation – Adults
Support to Schools	Support has been provided to 20 schools so far in relation to managing their risks Substantial – 17 Moderate – 3 Overall - Substantial
Partnerships	Support is being provided to the following specific Partnerships: <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	Two 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) Ahead of target - 96%
	3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report)	3) 70%	3) Ahead of target - 92%
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 82% (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) 4 compliments 0 complaints