

**At a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the CIVIC CENTRE on Friday 20 January 2012**

**Present:**

Mr G N Cook in the Chair

Councillor Forbes, Tate, T Wright and Mr Paterson.

**Declarations of Interest**

There were no declarations of interest.

**Apologies for Absence**

Apologies for absence were received from Councillors Rolph and Speding.

**Minutes**

34. RESOLVED that the minutes of the meeting of the Committee held on 25 November 2011 be confirmed and signed as a correct record.

Councillor Wright referred to the SWITCH project and queried whether Elected Members were receiving enough feedback and statistics. The Executive Director of Commercial and Corporate Services advised that figures were available and the Leader, Deputy Leader and Cabinet Secretary were regularly briefed. Further information could be made available to any Member on request.

**Presentation on Proposed Future Assurance Arrangements**

The Executive Director of Commercial and Corporate Services introduced the presentation and referred to the challenges to be faced by the Authority during the next financial year and the different landscape which would have to be negotiated in the future particularly in terms of the more diverse service delivery environment. The assurance arrangements which were in place would need to be efficient, flexible and fit for purpose. The changes which were being proposed would ensure arrangements were ready and prepared for the new landscape as it emerged.

The Head of Audit, Risk and Procurement delivered a presentation on the proposed future assurance arrangements within the Council.

The assurance arrangements should a) tell the Council if key safeguards are working, b) highlight problem/risk areas, and c) allow the authority to move ahead with changes with confidence, or slow down if required.

The changes to the Assurance arrangements were taking place within the context of significant external and internal changes and diversified (and increased) risk at times of reduced resource.

The Head of Audit, Risk and Procurement outlined the large number of areas, both internal and external which currently provided assurance to the Council and that the current arrangements were not all co-ordinated and not as efficient as they could be. The proposals for the future assurance arrangements were as follows: -

- Clear Corporate Lead
- Introduce an Integrated Assurance Framework
- Private sector partner and support
- Organisational Change – two new teams for Risk and Assurance and Internal Audit
- Review of other assurance activity

A diagram illustrating the Integrated Assurance Framework and an example of a Corporate Assurance map was presented to Members. The Committee were informed that the Corporate Assurance Map would be presented to the Executive Management Team and reported to the Audit and Governance Committee on a quarterly basis. The Head of Audit, Risk and Procurement highlighted that the map would ensure that there was no duplication of assurance and the work undertaken would still identify areas for improvement.

Councillor Wright asked where scrutiny would fit in with the assurance framework and the Head of Audit, Risk and Procurement advised that the role which the scrutiny committees play in scrutinising performance could be taken account of within the performance management element of the Corporate Assurance Map.

Councillor Tate highlighted that the Management Scrutiny Committee were engaged in a review of self regulation and it would be useful for the Committee to understand what was happening with regards to the Assurance Framework. He asked the Head of Audit, Risk and Procurement to consider this.

The Council would retain an Internal Audit function but it would be smaller and more focused and deal with planned audit work. The Risk and Assurance function would offer proactive support to managers and would still maintain risk registers and the Corporate Risk Profile.

The next steps in the process would be to: -

- Create Internal Audit and Risk and Assurance teams
- Develop/agree Corporate Assurance Map

- Develop Internal Audit Plan to support Map
- Develop Risk and Assurance Plan to support Map
- Appoint partner
- Review other internal assurance sources (2012/2013)

The new arrangements would involve significant changes for the Council, its staff and the Audit and Governance Committee.

With reference to the localism of business rates, Councillor Wright enquired if the collection process was to remain the same. The Head of Audit, Risk and Procurement advised that the Council currently collected business rates and paid these in to a central pool which was then redistributed to all local authorities. In the future, Sunderland would retain the business rates which it had collected, subject to some floors and ceilings. The Executive Director added that Sunderland was designated as a 'top-up' authority for business rates and it had not yet been clarified what this would mean in the new system. There were clearly inherent risks in both the starting point and the ongoing operation of the new system.

Councillor Wright also asked if the Audit and Governance Committee would have to consider whether the new Internal Audit section would be fit for purpose and if the Head of Audit, Risk and Procurement and Executive Director were satisfied with the new arrangements.

The Executive Director stated that he believed both the Internal Audit and Risk Management teams were very good and capable but it was clear that some different skills and approaches were needed moving forward given the likely picture over the medium term. If responsibility for delivery of services in some cases was to be handled elsewhere, the accountability would remain with the Council. He expressed confidence that the proposals would ensure that assurance arrangements in all circumstances were 'right by design'.

Councillor Forbes commented that the presentation was very clear and helpful, however she asked for further clarification about the position of Local Authority Companies within the Corporate Assurance Map. The Executive Director of Commercial and Consumer Services stated that these companies may be constituted differently depending on their purpose. If public funding was to be filtered through any vehicle then the authority would have certain rights and obligations and this would be assured through the Framework. The Council already had business relationships with a number of private providers and demanded a degree of assurance from them. In response to a query from Councillor Tate, it was confirmed that the protocol for working with outside organisations would still apply.

Mr Paterson sought further detail on the role of the partner in the new arrangements and the Executive Director advised that initially this would enable the Council to access expertise when establishing the Framework. This would also enable there to be leaner staffing internally and the partner would bring a different dynamic and level of flexibility. The costs incurred would be covered through savings and there would be a significant payback in value for money terms.

The Committee received the proposals very positively and having thanked the Head of Audit, Risk and Procurement for his comprehensive presentation, it was: -

35. RESOLVED that the proposals for future Assurance arrangements be noted.

### **Internal Audit Plan – Consultation for 2012/2013**

The Head of Audit, Risk and Procurement submitted a report outlining the suggested priorities for the Internal Audit Plan for 2012/2013 and asking Members to consider and comment on the areas for inclusion within the plan.

The Audit and Counter Fraud Manager highlighted a number of key areas for the 2012/2013 Internal Audit Plan including: -

- Management of risks in developing new service delivery models
- Corporate Contract Management
- New Wear Crossing (SSTC)
- Changes in Welfare Benefits and Council Tax Benefits
- Adults safeguarding model
- ICT projects
- New Public Health responsibilities

Councillor Tate referred to the Public Health function and the future funding of this and the establishment of the Health and Wellbeing Board. The Executive Director stated that there would be funding associated with the new Public Health responsibilities but it was not clear at what level this would be. Some work was being undertaken by Risk Management on the Health and Wellbeing Board and this would become part of the internal audit framework moving forward.

The issue of Procurement was raised by Councillor Forbes and the Audit and Counter Fraud Manager stated that although the New Wear Crossing had been highlighted specifically as a key project, the procurement function was subject to a rolling programme of audit work.

The Chair indicated that he would like to see some information on the Localism Act and the impact of benefit changes on levels of child poverty within the city.

Having considered and commented on the proposed Internal Audit Plan 2012/2013, the Committee: -

36. RESOLVED that the report be noted.

(Signed) G N COOK  
Chairman