

## AUDIT AND GOVERNANCE COMMITTEE

### AGENDA

Meeting to be held on Friday 22 September 2023 at 1.30pm in  
Committee Room 1, City Hall, Plater Way, Sunderland, SR1 3AA

ITEM		PAGE
1.	<b>Receipt of Declarations of Interest (if any)</b>	
2.	<b>Apologies</b>	
3.	<b>Minutes of the Meeting of the Committee held on Friday 21 July 2023</b>  (Copy attached.)	1
4.	<b>Risk and Assurance Map Update 2023/2024</b>  Report of the Assistant Director of Assurance and Property Services (copy attached).	9
5.	<b>Audit Strategy Memorandum 2022/2023</b>  Report of Mazars LLP (copy attached).	33
6.	<b>Dates and Times of Next Meetings</b>  The meeting schedule for 2023/2024 is as follows: -  Friday 2 February 2024 at 1.30pm Friday 26 April 2024 at 1.30pm	

ELAINE WAUGH, Assistant Director of Law and Governance

City Hall, Sunderland

14 September 2023

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**AUDIT AND GOVERNANCE COMMITTEE**  
**Friday 21 July 2023**

**Present:**

Mr G N Cook in the Chair

Councillors Foster, McDonough and Stewart together with Mr M Knowles.

**In Attendance:**

Paul Wilson (Director of Finance), Paul Davies (Assistant Director of Assurance and Property Services), Nick Humphreys (Data Protection Officer), Mark Kirkham and Diane Harold (Mazars) and Gillian Kelly (Principal Governance Services Officer).

**Declarations of Interest**

There were no declarations of interest.

**Apologies for Absence**

Apologies for absence were received from Councillors Nicholson and Trueman.

**Minutes**

1. RESOLVED that the minutes of the meeting of the Committee held on 28 April 2023 be confirmed as a correct record.

The Director of Finance advised that following a strategy meeting with the Council's treasury advisors, a date would be arranged for treasury management training for Committee Members.

**Annual Report on the Work of the Committee**

The Director of Finance submitted a report providing a summary of the work undertaken by the Audit and Governance Committee during 2022/2023 and the outcome of the work. The report was designed to demonstrate how the Committee had fulfilled its role and would be presented to the Council once agreed by the Committee.

The report summarised the matters considered during the year including the Risk and Assurance Map, External Auditor reports, the Annual Governance Review,

Treasury Management, the Statement of Accounts, the Council's status as a going concern and the Data Protection Annual Report.

The report showed that the work of the Committee was wide ranging with Members monitoring performance more closely in those areas where it was deemed appropriate.

The Assistant Director of Assurance and Property Services advised that he would have a discussion with the newly appointed committee members on the Risk and Assurance Map in advance of the next update to the Committee.

Having noted the positive report, it was: -

2. RESOLVED that the Annual Report be approved and presented to the Council for their consideration.

### **Treasury Management Review of Performance 2022/2023**

The Director of Finance submitted a report which presented the Treasury Management borrowing and investment performance for 2022/2023 in accordance with the requirements of the Treasury Management Policy Statement and Treasury Management Strategy approved by Council on 2 March 2022.

The Council's Treasury Management function continued to perform well with an average interest rate on borrowing at 2.55%, which compared favourably with other local authorities as did the 2.16% rate of return achieved on investments. The rate of return had increased significantly from 0.22% in 2021/2022 and this also demonstrated the volatility in the market.

Members were reminded of the basis for the agreed Borrowing Strategy for 2022/2023 and that it had been reviewed in July and November 2022 and February 2023 and was updated where necessary to reflect changing circumstances. The strategy for 2022/2023 had been to adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow, and to respond to any changing circumstances to seek to secure benefit for the Council. A benchmark financing rate of 3.0% for long-term borrowing was set for 2022/2023 in light of the views prevalent at the time the Treasury Management policy was set in March 2022.

Volatility in financial markets had continued during 2022/2023 and PWLB rates had started the year at 2.42% and then rose steadily, reaching a peak of 5.51% in September 2022. From then rates gradually fell to 3.58% at the end of November 2022 before gradually rising end the financial year at 4.41%. The Council took advantage of low borrowing rates to take out £50million of new borrowing during the financial year at a rate of 2.79%.

The Authorised Borrowing Limit for External Debt had been set at £1,083.658m for 2022/2023 and the Operational Boundary for External Debt was set at £1,057.658m and the authority was well within the tolerances for these.

The Investment Strategy for 2022/2023 was also approved by the Council on 2 March 2022 and had a general policy objective of the prudent investment of its treasury balances. The investment policy was regularly monitored and reviewed to ensure it had the flexibility to take full advantage of any changes in market conditions to the benefit of the Council. The funds managed by the Council's in-house team amounted to £240.770million and all investments complied with the Annual Investment Strategy.

Councillor McDonough referred to the benchmark financing rate of 3.00% for long-term borrowing and asked if this meant that the Council would not borrow above this rate. The Director of Finance advised that this figure had been agreed as part of the budget for 2022/2023; the position was kept under review due to the volatility of interest rates.

Councillor Stewart highlighted the borrowing portfolio position at 31 March 2023 and queried the £39m which was at market rate. The Director of Finance explained that the Council had taken out LOBO loans many years ago and these were based on the market and could not be repaid until they matured.

Mr Knowles noted that it was very good to see the summary of performance and asked when Members would receive assurance on the Treasury Management controls. The Assistant Director of Assurance and Property Services undertook to check the audit plan and would provide a written response to Mr Knowles.

Following consideration of the report, the Committee: -

3. RESOLVED that the positive Treasury Management performance for 2022/2023 be noted.

### **Treasury Management First Quarterly Review 2022/2023**

The Director of Finance submitted a report presenting the Treasury Management performance to date for the first quarter of 2023/2024 and setting out the Lending List Criteria and Approved Lending List.

The Director of Finance reported that ongoing inflationary pressures had continued to result in the rise in the Base Rate; this was currently 5.0% and it was projected that it could rise to 6.0% by the end of the year. There had been a drop in inflation in recent days so it was uncertain whether the Monetary Policy Committee would increase rates by 0.25% or 0.50% in August. It was within this context that Treasury Management was operating.

The Council's Treasury Management function continued to look at ways to maximise financial savings and increase investment returns to the revenue budget, whilst maintaining a balanced risk position. No new borrowing had been taken out to date during 2023/2024 but the position continued to be monitored closely should it be needed to support the financing requirements of the Council's Capital Programme.

The Council's interest rate on borrowing was low, currently 2.70%, and the authority had benefitted from this lower cost of borrowing and also from ongoing savings from

past debt rescheduling exercises. The rate of return on investments was 4.56% compared with a benchmark of 4.37%.

The Treasury Management Prudential Indicators were regularly reviewed and the Council was well within the limits set for all of these. Further detail on the indicators was set out in Appendix A to the report. The investment policy was also regularly monitored and reviewed to ensure that it had the flexibility to take full advantage of any changes in market conditions which would benefit the Council.

The Council's authorised lending list continued to be updated regularly to take into account financial institution mergers and changes in institutions' credit ratings. The updated Approved Lending List was attached as Appendix C to the report for information. There had been no changes to the Lending List Criteria which were set out at Appendix B.

Mr Knowles made reference to the funds currently held and the Council's investment priorities and asked whether there was any argument for slightly longer-term investments.

The Director of Finance said that liquidity was important and the authority tended not to lend beyond a year as things could change swiftly.

Mr Cook asked if the external treasury management advisers were supportive of this approach and the Director of Finance stated that they were, and that the investment priorities were reviewed at regular strategy meetings.

Consideration having been given to the report, it was: -

4. RESOLVED that: -

- (i) the Treasury Management performance during Quarter 1 of 2023/2024 be noted; and
- (ii) the Lending List Criteria at Appendix B and the Approved Lending List at Appendix C be noted.

### **The Council's Going Concern Status Report**

The Director of Finance submitted a report inviting the Committee to consider the Council's status as a going concern.

Local Authorities were created and abolished only by statutory changes and as such there was an underlying assumption in the 2021/2022 CIPFA/ LASAAC Code of Practice on Local Authority Accounting (Accounting Code) that their accounts would be prepared on a going concern basis.

Authorities were required by Section 32 of the Local Government Finance Act 1992 to set a balanced budget. However, financial pressures within the local government sector meant that the Chief Finance Officer (section 151 officer) may need to consider whether action was required under section 114 of the 1988 Act, where the

section 151 officer must report, following consultation with the council's monitoring officer, to all authority's Councillors if they believed expenditure was likely to exceed incoming resources in the current or in any future year.

The report outlined the assessment of the Council's status as a going concern in line with best practice and in doing so, detailed the 2022/2023 year end position which showed an underspend of £69.896m. This had been transferred in to 2023/2024 and future year budgets to align with the latest expenditure profile.

The General Fund Balance was unchanged at £12.000m and there had been a slight increase in usable revenue reserves. Overall Net Assets had also increased from £319m to £798m due to the re-measurement of the defined benefit pension asset/liability.

The budget for 2023/2024 had been set with an increase in council tax of 2.99% and councillors and officers continue to work together to monitor and manage budgets throughout the year.

The Council's Director of Finance (Section 151 officer) view was that the Council was aware of the challenges it faced and was prepared to deliver its services in the future taking account of the known risks. Any transition required to deliver savings could be supported by transitional reserves, therefore the Council was a going concern and the Statement of Accounts would be prepared on that basis.

Councillor McDonough said that it was positive to see the growth in Council Tax and Business Rates and Mr Cook acknowledged the difficulty for the Council in delivering savings without changing the way it operated.

Accordingly the Committee: -

5. RESOLVED that the Council was considered to be a going concern based on the assessment in the report and that the accounts should be prepared and approved on that basis.

## **Data Protection Annual Report**

The Data Protection Officer submitted a report presenting information about the work and findings of the Council's Data Protection Office during the past year.

The Committee was asked to consider: -

- the Data Protection arrangements outlined in the report; and
- performance against Data Protection standards in the 2022/2023 year.

The Council had designated a Data Protection Officer (DPO) as required by Data Protection law, to advise on its data protection compliance responsibilities and act as its point of contact with the Information Commissioner's Office (ICO). The Council had historically received support with Data Protection compliance from the Council's Data Protection Office, a Strategic Information Governance Group made up of senior officers and chaired by the Director of Finance in the role of Senior Information Risk

Officer (SIRO). The Data Protection Office also provided a DPO service under service level agreements to connected organisations, including the Council's wholly owned companies, NECA and those schools and academies which subscribed to the service.

A revised Information Management Policy and Strategy (IMPS) was approved by Chief Officer Group in October 2021. The IMPS was designed to reflect changes to working arrangements and priorities imposed by the Council's response to Covid, the migration to the Office 365 Microsoft Teams environment and the move to City Hall.

The Data Protection Office continued to provide advice and guidance to support Information Asset Owners (IAOs) and service areas with Data Protection compliance. The DPO team had continued to work with the Transformation Project Team and Corporate Support Service which had led to the development of comprehensive new Information, Advice and Guidance materials and training packages to support Information Asset Owners (IAOs) and staff, allowing them to 'self-serve'.

The attention of the Committee was drawn to the General Data Protection Regulation which was underpinned by the two key principles of transparency and accountability. The Council took a 'Data Protection by Design' approach to the planning, implementation and management of business systems and operational arrangements. It was now mandatory to carry out a Data Protection Impact Assessment (DPIA) for high-risk initiatives and to seek advice from the Data Protection Office with regard to their completion. During the year, the Data Protection Office had supported the Council and companies to develop 19 DPIAs for a range of projects, initiatives, and business process reviews.

Turning to subject access requests, 222 cases were closed in-year of which 136 were responded to within the statutory timescale of one calendar month and 86 cases exceeded the timescale. This compared to 94 being in-time and 69 exceeding timescales in 2021/22. Given the substantial upturn in new requests, the maintenance of performance could be substantially attributed to the changes to working practices, especially the adoption of new digital processes and the reversion to regular physical access to records held in the City Hall.

Subject access requests could be challenging work with a large volume of records to be reviewed and delays could incur when Health and other professionals were asked to give their view before the release of records originating from their area of work.

The attention of the Committee was drawn to Appendix A of the report which detailed the numbers and gradings of data breaches reported for the period from 1 April 2022 to 31 March 2023 and Appendix B which provided information about the types and distribution of breach reports across the Council's Directorates and companies.

There had been fewer data breaches in 2022/2023 with 58 being reported against 96 in 2021/2022 and no breaches had been reported to the Information Commissioner's Office in the course of the year in comparison to four such reports in 2021/2022.

A change to compliance monitoring had been introduced in 2022/2023 and compliance issues were now captured; these were not personal data breaches



where there had been a loss or unlawful disclosure of personal data but could be an infringement with any element of the GDPR. 24 issues were recorded during the year with three key themes emerging: -

- Customers complaining that they did not consent to their data being shared, or that they were not made aware that their consent was not required as the basis to share.
- Complaints regarding the time taken to process Subject Access Requests
- Issues around Data Protection by Design, whereby DPIAs had not been undertaken, processor contracts or data sharing agreements with partner agencies were not in place.

An ongoing programme of compliance checks, utilising the ICO's Accountability Framework, would continue into 2023/24, with periodic reports containing recommended actions for implementation being issued to Info Asset Owners.

Further embedding of 'Data Protection by Design' principles would be critical to ensure the DPO was involved at the earliest opportunity with new initiatives as the Council and partners moved into the era of City Hall and to support the objectives of the City Plan.

It was highlighted that the Government had tabled a Data Protection and Digital Information (DPDI) Bill which would modify some elements of the UK GDPR and Data Protection Act 2018. The Data Protection Office was monitoring progress of the Bill and would report to SIGG and Chief Officer Group when more detailed implications emerged.

Mr Knowles noted that there had been a big increase in Subject Access Requests and that around half of these had been completed within statutory timescales. The Data Protection Officer explained that the team had explored a number of technological options but it could be very difficult when dealing with children's social care with multiple siblings for example. It had been found that no tool could do the work to the team's satisfaction; there was scope for AI to be used in the future but the machine learning element of the technology was not yet up to scratch.

Consideration having been given to the report, it was: -

6. RESOLVED that the Data Protection Annual Report 2022/2023 be noted

### **Dates and Times of Next Meetings**

7. RESOLVED that the following schedule of meetings be noted: -

Friday 22 September 2023 at 1.30pm

Friday 2 February 2024 at 1.30pm

Friday 26 April 2024 at 1.30pm

(Signed) G N COOK  
Chair



## **AUDIT AND GOVERNANCE COMMITTEE**

**22 September 2023**

### **RISK AND ASSURANCE MAP UPDATE – 2023/24**

#### **Report of the Assistant Director of Assurance and Property Services**

#### **1. Purpose of Report**

1.1 To enable the Audit and Governance Committee to consider:

- the updated Risk and Assurance Map and supporting Strategic and Corporate Risk Profiles based on assurances gathered from a range of sources;
- work undertaken by the audit, risk and assurance service during the year to date; and
- the performance of Internal Audit.

1.2 The report covers work undertaken for the Council and Council owned companies.

#### **2. Description of Decision**

2.1 The Audit and Governance Committee are asked to note and consider the report.

#### **3. Background/Introduction**

3.1 In April 2023 the Committee agreed the Risk and Assurance Map and Strategic and Corporate Risk Profiles for 2023/24. Both the Strategic and Corporate Risk Profiles have been updated as well as the Risk and Assurance Map following consultation with Chief Officers and relevant key officers. The 'X's in the assurance columns show where assurance is expected to be received from in the current financial year.

#### **4. Risk and Assurance Map**

4.1 The Risk and Assurance Map at Appendix 1 has been updated to reflect any changes to both the Strategic and Corporate Risk Profiles and these are described in more detail in paragraphs 4.2 and 4.3 below.

##### Strategic Risk Areas

4.2 The top section of the Map relates to the strategic risks identified in the Strategic Risk Profile, attached at Appendix 2. All changes to the Strategic Risk Profile are shown in red text for ease of reference. There have been no changes to the risk scores but updates to the wording have been made in relation to:

- R06 - *Unable to maximise the opportunities created by the Smart City Infrastructure.*

- R08 - *The Council is not able to fulfil its statutory responsibility for Children and Young People and also ensure families are supported to enable them to achieve their desired outcomes.* It is considered that risk R08 has an overlap with risk R09 *Families are not sufficiently resilient and resourceful to respond to challenges and achieve the best possible outcomes for their children.*

Risk R09 has therefore been closed and the relevant elements have been included in risk R08. The new risk description for R08 is now *The Council is not able to fulfil its statutory responsibility for Children and Young People and also ensure families are resilient to enable them to achieve their desired outcomes.*

- R013 - *Current model of social care cannot be sustained in the future, due to increasing pressures within the social care environment.*
- R014 - *Council resources and the input of residents are not fully optimised to tackle environmental issues in neighbourhoods.*
- R022 - *Aspirations to deliver the City Plan may be restricted by financial pressures.*
- Due to a number of pieces of Internal Audit work the level of assurance provided by Internal Audit has changed as follows:
  - *More and Better Housing* – assurance level has moved from Amber to Green due an audit of the Housing Regulatory Framework.
  - *A lower carbon city with greater digital connectivity for all* – assurance level from Internal Audit is new and is Green.

### Corporate Risk Areas

4.3 The middle section of the Map shows the cumulative risk assessments and the assurance levels relating to the risks identified in the Corporate Risk Profile, attached at Appendix 3. The changes to the Corporate Risk Profile are as follows:

- The risk scores for the risks in relation to Health and Safety have all been updated as follows:
  - R36 - *Council officers do not fully understand H&S roles and responsibilities.* The score has been reduced from 8 (Amber) to 6 (Amber) due to an updated Health and Safety Policy and Strategy being agreed and improved access to documents on the Hub and Sharepoint site. The target score has also been reduced to 3 (Green).
  - R37 - *The council's key H&S risks are not identified, understood or agreed.* The score has been reduced from 8 (Amber) to 6 (Amber) due to

increased training received by senior officers and reporting to COG which has improved performance. The target score has also been reduced to 3 (Green).

- R38 - *Appropriate action plans are not developed and agreed to manage the council's key H&S risks.* The score has been reduced from 8 (Amber) to 6 (Amber) due to the introduction and progress with the rollout of the Health and Safety Management System across the Council. The target score has also been reduced to 3 (Green).
  - R39 - *Strategic approach to incident management does not adequately inform decision making.* The score has reduced from 6 (Amber) to 3 (Green) and reached its target score due to the improved reporting to senior managers on a monthly basis and reporting to the Health and Safety Executive Forum.
- Due to a number of pieces of internal audit work the level of assurance provided by Internal Audit has changed as follows:
    - Procurement – assurance level changed from Amber to Green due to positive results from a recent audit.
    - Information Governance/Security – assurance changed from Amber to Green due to positive results of recent audit work. This has changed the overall assurance rating on the Risk and Assurance Map to Green.

#### Council Owned Companies

- 4.4 The bottom section of the Map shows the Assurance position in relation to Companies that are wholly owned by the Council and are part of the group for the financial statements. The only change to the Risk and Assurance Map is in relation to assurance regarding Business Continuity Management for Together for Children Ltd. This has moved from Green to Amber due to recent changes to the arrangements for business continuity coordination still being finalised, but individual team plans are still in place should there be an incident. This will be reviewed and updated when appropriate.

#### Assurance from Internal Audit

- 4.5 The audits to be carried out this year and the detailed results of completed Internal Audit work is shown at Appendix 4, with the summary outcomes shown on the Map. Changes to assurance levels are set out in paragraphs 4.2 and 4.3 above.
- 4.6 Appendix 4 shows all of the opinions, including those from previous years, which have been considered in determining the overall assurance level for the Strategic and Corporate Risk Areas and Council Owned Companies. Those audits shown in grey are those in previous years where it became not appropriate to complete the audit at that time.

#### Assurance from Risk and Assurance function

- 4.7 There is one post within this function. The post has been vacant for the last year however a recent recruitment exercise has resulted in the post being filled with the postholder starting in October. Risk and assurance activity has therefore been limited to updating the Strategic and Corporate Risk Profiles and providing high level risk advice as requested.

#### Assurance from others within the Council

- 4.8 Assurance provided from others within the Council is shown in the Risk and Assurance Map. The only change relates to Business Continuity Management in Together for Children, as already mentioned.

#### Assurance from Management

- 4.9 Arrangements are in place to obtain assurance from senior managers for all service areas within the Council through an annual governance questionnaire which has been completed for 2022/23.

#### Assurance from External Sources

- 4.10 The Map includes assurance from relevant external sources.

#### Overall

- 4.11 The overall assurance levels are either green or amber. The Risk and Assurance Map, Strategic and Corporate Risk Profiles were recently considered by Chief Officers.

### **5. Internal Audit Performance**

- 5.1 The performance in relation to targets set for Internal Audit is shown at Appendix 5. All KPIs are on target.

### **6. Conclusion**

- 6.1 Results of the work undertaken so far during the year have not highlighted any issues which affect the overall opinion that the Council continues to have in place an adequate system of internal control.

### **7. Recommendation**

- 7.1 The Audit and Governance Committee are asked to note and consider the report.

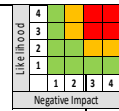
Risk and Assurance Map – 2023/24

Strategic and Corporate Risk Areas			1st Line												
	Current Risk Score	Cumulative Assurance Position	2nd Line											3rd Line	
			Other Internal Assurance Activity											Internal Audit	External Assurance
			Law & Governance	Financial	Programmes & Projects	Performance	DPO	ICT	People Mgt	Health & Safety	Business Continuity	Risk & Assurance	Internal Audit	External Assurance	
<b>Strategic Risk Areas</b>															
<b>Dynamic Smart City</b>															
More and better jobs	Amber	Green										Green			
More and better housing	Amber	Green										Green			
More local people with better qualifications and skills	Red	Amber										Green			
A stronger City Centre with more businesses, housing and cultural opportunities	Red	Green										Green			
A lower carbon City with greater digital connectivity for all	Amber	Green										Green			
<b>Healthy Smart City</b>															
Equitable opportunities and the best life chances for children	Green	Green										Green	Amber	Green	
Reduced health inequalities enabling more people to live healthier longer lives	Red	Amber										Green			
High quality support and social care that enables those who need it to live the life they want to lead	Amber	Green										Green	Green		
Cleaner and more attractive City and neighbourhoods	Amber	Amber										Green	Amber		
Great transport links with low carbon and active travel opportunities for all	Amber	Amber										Green			
<b>Vibrant Smart City</b>															
Residents feeling proud of the city and please where they live with more people active and participating in their communities	Amber	Green										Green			
More people visiting Sunderland with businesses thriving and more residents shaping and participating in cultural events	Amber	Amber										Green	Amber		
More people feeling safe in their homes and neighbourhoods and businesses benefitting from the city's safe and secure environment	Amber	Amber										Green			
Residents who are more resilient to ongoing challenges including the cost-of-living crisis	Amber	Green										Green			
<b>Enabling</b>															
Finance	Red	Green										Green	Green	Green	
Partnership Working	Amber	Amber										Green	Amber		
<b>Corporate Risk Areas</b>															
Strategic Planning	Amber	Green				Green						Green	Amber		
Commissioning	Amber	Amber	Green									Green	Amber	Amber	
Service Delivery Arrangements	Amber	Amber	Green									Green	Green	Amber	
Partnership/Integrated Working	Amber	Green	Green									Green	Amber	Green	
Procurement	Green	Green										Green	Green		
Relationship/Contract Management	Green	Amber										Green	Green	Amber	
Legality	Green	Green	Green	Green								Green	Green		
Risk Management	Amber	Green										Green	Amber	Amber	
Corporate Performance Management	Green	Green				Green						Green			
Financial Management	Green	Green	Green	Green								Green	Green	Green	
Income Collection	Green	Green										Green	Green	Green	
Capital Programme Management	Amber	Amber		Green								Green	Amber		
People Management	Red	Amber	Green						Green			Green	Green	Amber	
Health and Safety	Amber	Green	Green							Green		Green	Green		
ICT Infrastructure	Amber	Amber						Green				Green	Amber		
Cyber Security	Amber	Amber						Green				Green	Amber		
Information Governance/Security	Amber	Green	Green				Green					Green	Green		
Business Continuity Management	Amber	Amber									Green	Green	Amber		
Programme and Project Management	Red	Amber	Green		Green							Green	Amber	Amber	
Asset Management	Red	Amber									Green	Green	Amber		
Anti-Fraud and Corruption	Green	Green	Green								Green	Green	Green		
<b>Council Owned Companies</b>															
Sunderland Care and Support Ltd.	Amber	Green		Green								Green	Green	Green	
Together for Children Sunderland Ltd.	Green	Green		Green							Green	Green	Green	Green	
Siglion LLP	Amber	Green		Green								Green	Green	Green	

Key: X=activity planned, White=no coverage, Green=full / substantial assurance, Amber=moderate assurance, Red=limited / no assurance







STRATEGIC RISK PROFILE													Assurance					
			1 = Unlikely 2 = Possible 3 = Likely 4 = Almost Certain		1 = Minor 2 = Moderate 3 = Significant 4 = Critical		Current Score (Sept 2023)		Target score		1st Line			2nd Line		3rd Line		
City Plan Theme	City Plan Priority actions	ID	Strategic Risk Description	Cause	Impact	Current Controls	Impact Likelihood	Rating	Impact Likelihood	Rating	Mitigating Actions	COG Lead	Overall Assurance	Management Assurance	Risk and Assurance	Internal Audit	External Assurance	
DYNAMIC SMART	More and better jobs.	R01	Unable to attract commercial / manufacturing interest to our development sites.	Developments in other areas of the country may be more attractive to investors. Uncertainty arising from a range of economic factors leading to greater caution by investors. Firms may review their plans due to reduced turnover and increased home working.	Delay in regenerating the City and delivering the City Plan. Inability to grow Business Rate Income.	City Plan. City Board. IAMP LLP Board.	4	2	8	4	1	4	Monitor and review the actions being undertaken to incentivise / support industries to prosper in the City to achieve targets and outcomes. Sunderland has been chosen as the base of Nissan 36Zero, a flagship Electric Vehicle (EV) Hub that will create a world-first EV manufacturing ecosystem. Comprised of three interconnected initiatives, Nissan EV36Zero brings together electric vehicles, renewable energy and battery production. The projects represent 6,500 jobs at Nissan and its UK suppliers, including more than 900 new Nissan jobs and 750 new jobs at a second Envision-AESC Gigafactory	Executive Director of City Development				
	More and better jobs.	R02	The city, its residents and businesses do not emerge from the Covid-19 pandemic and economic challenges in a strong and competitive position.	Reduction in footfall due to the cost of living crisis. Other interacting factors contributing to commodity, logistical issues, including driver shortages and inflation	Adverse economic impact on local businesses. Delay in regenerating the City and delivering the City Plan.	City Plan. City Board. University Enterprise Zone	4	3	12	4	2	8	Reassess support that is available to different sectors and communicate widely. Encourage entrepreneurship utilising the business incubators to support business establishment, growth and job creation. Lobby Government for additional support nationally for self-employed. Delivery planning to take into account, potential shortages and delays. Sunderland continues to facilitate development in these challenging times	Executive Director of City Development				
	More and better housing.	R03	Unable to meet the aspirations set out in the Local Plan to generate a variety of property types and tenures that meet the needs and aspirations of families and individuals	Traditionally a difficult market to incentivise. High number of empty properties. High % of homes in low Council Tax bands. Limited Green space to attract continued development	Outward migration continues.	Housing Strategy. City Plan. City Board.	4	2	8	4	2	8	Incentivise the market to progress key housing sites including, Riverside Sunderland, existing Civic Centre site, Northern Spire Park, Washington Meadows and Potters Hill (South Sunderland Growth Area). Whilst new homes continue to be built in the City, future developments may be restricted by the limited green space and increased cost of developing on brownfield sites. Options available to the council include opening up more green space or supporting developments on brownfield sites.	Executive Director of City Development				
	More local people with better qualifications and skills.	R04	The qualifications and skills which Sunderland's residents have may not match the needs of industry in the City.	Employer entry level qualification requirements not clearly understood. Schools are performance / league table driven with very little scope to tailor curriculum or follow vocational routes. High attainment at Primary School falls off at Secondary Level. City has comparatively fewer residents with degrees.	Sunderland residents are less able to access all of the employment opportunities that are created in the City and on average earn less than non-resident Sunderland workers.	City Plan. City Board	4	3	12	4	2	8	Facilitate collaborative working between employers, education/skills providers and students. The North East Automotive Alliance (NEAA), is an industry-led cluster group, which supports, the economic sustainable growth and competitiveness of the sector. Its role includes cohesive workforce planning, helping to forecast future skills demand and informing providers so that they can make relevant courses available. Skills Strategy to form part of the Local Industrial Strategy with a heavy digital bias. Developing a City Skills Board including University and College. Proposed North East devolution deal announced. The Council will continue to focus on tackling the barriers for those least able to access employment through initiatives such as Community Local Led Development. Sunderland City Council, Education Partnership North East and MOBIE have secured funding from the Government's Levelling Up Fund (LUF) to develop a Housing Innovation and Construction Skills Academy (HICSA) - a ground-breaking facility that will educate, train and upskill the people of Sunderland to create innovative factory-built new homes, the first of which will be assembled at Riverside Sunderland. The Sunderland Education, Training & Employability Online Directory has been developed in partnership with Together for Children, Sunderland Information point and local partners. An easy to use on-line resource bringing together local providers and organisations that offer a wide variety of education, training and employability courses to the people of Sunderland. It will support those who are planning their career, wanting to gain new qualifications or improve their employability skills.	Executive Director of City Development / Director of Children's Services				
	A stronger City Centre with more businesses, housing and cultural opportunities.	R05	Sunderland City Centre fails to drive transformational economic growth.	Declining retail, economic and service functions due to cost of living crisis. Independent traders struggling. Peripheral but accessible employment locations - e.g. Doxford Business Park. Fragile viability of the City Centre.	Delay in regenerating the City and delivering the City Plan. Continued decline of the City Centre. Migration out of the City continues.	City Plan. City Board. Riverside Sunderland Development.	4	3	12	4	2	8	Progress the Riverside Sunderland development which aims to double the residential population and increase the number of jobs by 50% by 2030. Support development of the central business district, which will increase footfall and act as a showcase to attract further investment. There are 12 game-changing projects set out in the recently published Riverside Sunderland 2024, comprising Vaux Neighbourhood & Expo Sunderland, Sunderland New Wear Crossing, The Stables, Housing Innovation & Construction Skills Academy, Maker & Faber, St Mary's Boulevard, Sunderland Eye Hospital, Keel Square Hotel, The Yard, Culture House, Farringdon Row South, Galley's Gill. The projects comprise phase 2 of Riverside Sunderland and are due to be completed by 2024	Executive Director of City Development				

City Plan Theme	City Plan Priority actions	ID	Strategic Risk Description	Cause	Impact	Current Controls	Impact Likelihood	Rating	Impact Likelihood	Rating	Mitigating Actions	COG Lead	Overall Assurance	Management Assurance	Risk and Assurance	Internal Audit	External Assurance	
	A lower carbon city with greater digital connectivity for all.	R06	Unable to maximise the opportunities created by the Smart City Infrastructure.	Unable to agree an appropriate solution. Unable to attract funding to develop the required infrastructure.	Businesses and residents are not attracted to the City. Unable to access faster speeds and more reliable connectivity than existing 3G and 4G networks.	City Plan. Contract with City Fibre. Virgin Media upgrades and extension. Deployments by Netomnia and Grain Connect in the city. Several significant funding bids delivered and more in train. Digital Careers and Education Partnership with Digital Catapult. MOU in place with Microsoft.	3	2	6	3	2	6						
	A lower carbon city with greater digital connectivity for all.	R07	Resources and critical infrastructure are not in place to enable the Council to become carbon neutral by 2030 and Sunderland to be carbon neutral by 2040 .	Measures are not in place to meet the aspirations of the Council and City to become carbon neutral. Limited business take-up of low carbon initiatives	Fail to reduce greenhouse gas emissions and make related financial savings.	Carbon Management Plan. City Plan.	4	4	16	3	2	6	Implement the Low Carbon Framework and Delivery plan to reduce individual carbon footprints, improve energy efficiency of existing homes and buildings, develop low carbon and active transport modes, develop renewable energy generation / storage grow the city's green economy, reduce the volume of all consumption and waste, increase opportunities to reuse materials and recycle waste. Sunderland's Low Carbon framework sets an ambition for the Council becoming carbon neutral by 2030 and the City to become carbon neutral by 2040. Carbon Action Plan is being refreshed. However inflation and financial pressures may slow the take up of carbon reduction initiatives	Executive Director of City Development				
	Access to equitable opportunities and life chances.	R08	The Council is not able to fulfil its statutory responsibility for Children and Young People and also ensure families are resilient to enable them to achieve their desired outcomes.	Resources are not sufficient to protect children and young people from harm or exploitation by others. Families in need of support do not have the financial or emotional stability to respond to challenges and achieve the best possible outcomes for their children	Adverse impact on vulnerable children at both an educational and safeguarding perspective. Children and young people are at risk and harm or exploitation by others.	TfC contract monitoring arrangements. City Plan. Outstanding Ofsted outcome	4	1	4	4	1	4	Ofsted Report August 2021 "Leaders and managers are confident, ambitious and influential in changing the lives of local children, young people and their families including cared for children and care experienced young people." "A new and vibrant culture is now widespread across children's services in Sunderland. This successful approach has resulted in children's voices and influence being central to assessments, planning and interventions. Staff across the council and the multi-agency partnerships are hugely focused on seeking to identify vulnerabilities and needs, providing support for children and families before problems escalate. JTAI Ofsted report January 2023 reinforces the view that Ofsted continue to see evidence of high quality service interventions from TfC providing assurance therefore that the service has not deteriorated since the full ILACS judgement in 2021. Monitor commissioning arrangements and outcomes, including the priority areas of Safeguarding, the development of life skills and support for families, which enhance access to the same opportunities and life chances. Joint work between TfC and SCC on MTFP to ensure joined up financial planning	Director of Children Services				
	Access to equitable opportunities and life chances.	R09	Families are not sufficiently resilient and resourceful to respond to challenges and achieve the best possible outcomes for their children.	Families unable to support children at home with educational progress. Families do not have financial stability due to the cost of living crisis. Parents do not have emotional stability to support their families.	Adverse impact on vulnerable children at both an educational and safeguarding perspective. Children and young people are at risk from harm or exploitation by others.	TfC City Plan. Outstanding Ofsted outcome	4	2	8	4	1	4	Monitor commissioning arrangements and outcomes, including the priority areas of Safeguarding, the development of life skills and support for families, which enhance access to the same opportunities and life chances. Joint work between TfC and SCC on MTFP to ensure joined up financial planning	Director of Children Services				
	Reduced health inequalities enabling more people to live healthier longer lives.	R10	Unable to improve the historically poor Health outcomes in Sunderland and reduce Health inequalities.	Adverse impact of Covid 19 and the cost of living crisis on health inequalities. The Sunderland Joint Strategic Needs Assessment identified high level health challenges for Sunderland including: Long term health problems- excessive alcohol, smoking, poor diet and low levels of physical activity. Poor mental health and wellbeing. Increased health risks of people with a physical or learning disability.	Life expectancy and healthy life expectancy are below the national average. Ill health continues to present an unsustainable burden on the health and care system and wider City economy.	Joint Strategic Needs Assessment. Health & Wellbeing Board. H&WB Priority Working Groups City Plan. Altogether Better Alliance	4	4	16	4	2	8	Healthy City Plan agreed to address the major issues identified in the Joint Strategic Needs Assessment The Health & Wellbeing Board oversees the Delivery Plan and Workstreams including, Best Start in life, Young people aged 11-19, Smoke free Sunderland, Addressing alcohol harms, Healthy economy, Mental health and wellbeing, Ageing well. There is also a Covid -19 health inequalities workstream to address the health inequalities amplified during the pandemic. Council has prioritised its ways of working in developing an approach to tackling inequalities. The Health, Housing & Communities Directorate, provides greater scope to address long term health issues in the community.	Executive Director of Health, Housing & Communities				
	Reduced health inequalities enabling more people to live healthier longer lives.	R11	Unable to control variants of the Covid virus, and other communicable diseases, which could increase the spread of the infection across Sunderland.	Complexities in controlling the spread of the virus / variants. Individuals do not adhere to guidance. Fewer people are having their seasonal boosters	Adverse impact on peoples health, both short and long term (including council employees). People are asked to self isolate.	Sunderland Health Protection Board Sunderland Outbreak Control Board	4	3	12	4	1	4	Mitigation will be based on the COVID-19 Control Plan.	Executive Director of Health, Housing & Communities				
	Reduced health inequalities enabling more people to live healthier longer lives.	R12	The introduction of a statutory Integrated Care System with a regional Integrated Care System (ICS) Health and Care Partnership, covering the North east and Cumbria may reduce the resources available in Sunderland for Health and Social Care	Under new proposals NHS and local authorities will be given a duty to collaborate with each other under a statutory Integrated Care Systems (ICSs). These will include an ICS Health and Care Partnership, bringing together the NHS, local government and partners,	A regional ICS Health and Care Partnership, covering the North east and Cumbria, may prioritise areas outside of Sunderland	Health & Wellbeing Board.	3	3	9	3	2	6	Local partners to work together to promote Sunderland interests at a regional level. Assistant Director of Integrated Commissioning jointly appointed (CCG) to develop Sunderland Based Place Arrangements. National changes to the NHS may be delayed and this may impact on local arrangements. Integrated Care System is live. High level Place Based arrangements have been agreed, with work on-going to develop the supporting requirements.	Executive Director of Health, Housing & Communities				

City Plan Theme	City Plan Priority actions	ID	Strategic Risk Description	Cause	Impact	Current Controls	Likelihood			Rating			Mitigating Actions	COG Lead	Overall Assurance	Management Assurance	Risk and Assurance	Internal Audit	External Assurance		
							Impact	Likelihood	Rating	Impact	Likelihood	Rating									
HEALTHY SMART	People enjoying independent lives.	R13	Current model of social care cannot be sustained in the future, due to increasing pressures within the social care environment.	Increase in the level of long term conditions, including increasing proportions of people with multiple long term conditions. Potential market failure in the supply chain. Difficulties in keeping supply and demand in equilibrium. Work force issues. Increased requests to support the NHS around hospital discharges.	Care options for adults do not meet the needs of individuals or result in increased costs to the Council.	Health & Wellbeing Board. City Plan.	4	2	8	4	1	4	<p>Deliver better integrated care through promotion and support for self-care. Implementing a multi agency neighbourhood management approach to better co-ordinate health and care services.</p> <p>Reviewing approach to services in peoples homes to remodel what home care, reablement and telecare services need to be for future demand,</p> <p>Continue to expand the use of technology enabled care solutions to support peoples independence. The greater reach and capacity of new connectivity being developed through our joint venture with BAI Communications will enable existing deployment of assistive technologies for vulnerable people to scale significantly.</p> <p>The Sunderland Voluntary Sector Alliance has been launched to build on the outstanding contribution made by the city's voluntary and community sector in supporting communities during the pandemic. It will improve support for the sector and expand their role, working with partner organisations across the city to meet the city's strategic needs.</p> <p>Using local intelligence with our Partners, through the Ageing Well Delivery Board. We have identified key areas of targeted work that will contribute to reducing falls, and the impact of falls, on our residents. New falls strategy for the City is in development.</p> <p>Continue to work with the Association of Directors of Adult Social Services (ADASS) on market sustainability for social care including DHSC Fair Cost of Care exercise. Arrangements in place through ADASS to manage the Social Care Reform Agenda.</p> <p>Put in place new multi agency Front Door service to more effectively triage customers to get the help they need more quickly and in a co-ordinated way.</p> <p><b>Expand use of Direct Payments as alternative to traditional services at home.</b></p>	Director of Adult Services & SCAS Chief Operating Officer							
	Cleaner and more attractive City and neighbourhoods.	R14	Council resources and the input of residents are not fully optimised to tackle environmental issues in neighbourhoods.	The level of services delivered by the council does not always meet customer expectations. Recycling bins are often contaminated. Increased fly tipping.	Fail to achieve cleaner and greener streets across the City. Recycling rates are not increased.	City Plan.	4	2	8	4	1	4	<p><b>Environmental issues are a concern to residents and are therefore included in the Service Plans. CLEAN and GREEN promotion encouraging volunteers to tackle local environmental issues. New mechanical brushes purchased and investment in litter bins. Introduced no side waste policy and new team of Waste awareness officers created. New communications plan to regularly communicate waste and recycling messaging to encourage correct behaviour. Close working with enforcement to tackle environmental issues. New littering campaign to be launched.</b></p>	Director of Environmental Services							
	A City with great transport and travel links.	R15	The City cannot meet the challenge to develop an active and green transport system in response to Covid19 and other economic pressures.	Enhanced electric infrastructure required. Limited pedestrian and cycling routes. Winter maintenance programme may be impacted by the availability of resources (grit and drivers)	Fail to change the use of cars as the primary source of travel. Restricted connectivity between different areas of the City.	Transport Movement Plan for Sunderland. City Plan.	3	2	6	3	1	3	<p>Review the Transport Movement Plan for Sunderland to reflect new opportunities. Plans have been agreed to revamp Sunderland's Central Train Station, beginning with the demolition of the current south entrance. SSTC3 link road from Northern Spire to City Centre opened November 2021 High Level Footbridge project ongoing. A submission has been made to the Levelling Up Fund LUF for a multi million pound investment in green travel across the city</p>	Executive Director of City Development							
VIBRANT SMART	More residents participating in their communities.	R17	Pathways are not in place to encourage / support more residents to participate in making their neighbourhoods more desirable.	Residents are not fully aware of opportunities to participate in their neighbourhoods.	Neighbourhoods become less attractive. Outward migration continues.	City Plan. Vibrancy Board.	3	2	6	3	2	6	<p>Implement Neighbourhood Plans, which incorporate input from residents. Develop and implement a Volunteers Strategy. Strategy completed and Volunteer Sunderland website launched. Community Support Workers are now in post supporting the Sunderland Voluntary Sector Alliance and external funding has been secured to grow its capacity across the city.</p>	Executive Director of Health, Housing & Communities							
	More people visiting Sunderland and More residents informing and participating in cultural events programmes and activities.	R18	Sunderland may not be recognised as a cultural destination of choice.	The developing cultural offer is not fully understood. Limited number of City centre hotels.	City's cultural offer does not contribute fully to the City being an attractive and vibrant place to invest, work, learn, live and visit. Adverse impact of Covid restrictions.	City Plan. Vibrancy Board.	3	2	6	3	1	3	<p>Develop a wider Vibrancy Partnership to promote new events and increase cultural activity. Vibrancy Board set up. Board to develop a Delivery Plan to promote Sunderland as a cultural destination of choice. Tourism offer and City Brand being reviewed. Sunderland continues to promote its tourist attractions to take advantage in the upsurge in "staycations" A Tourism recovery plan is in place to promote and sustain the return of visitors and participation of residents in cultural events, programmes and activities. A new Cultural Strategy to address the Council's Cultural priorities and the Cities Cultural priorities. A cultural regeneration team has been established to take forward the Council's priorities</p>	Executive Director of City Development							
	More people feeling safe in their homes and neighbourhoods.	R19	Reduced trust in public protection.	Significant local crime events. Vulnerable residents are exploited by organised crime syndicates. Community Engagement has indicated that fear of crime is an issue although crime statistics are low. Young People's survey Nov 19 indicated that Knife crime and Hate crime are issues of concern.	Localised community tensions. Vulnerable individuals have their lives controlled by criminal organisations.	Safer Sunderland Partnership. City Plan.	4	2	8	4	1	4	<p>Support Partners to improve community safety and maintain high levels of feelings of safety for all. Criminal activity to be disrupted through increased Policing and other Agency intervention and enforcement activity. Promote Sunderland more positively as a City that welcomes all, with neighbourhoods that are attractive, safe, inclusive and cohesive. Targeted engagement to be undertaken with communities to establish the cause of concerns and actions that can be taken to reduce the level of concern. Sunderland Domestic Abuse Safe Accommodation Strategy agreed</p>	Executive Director of City Development							
	More people feeling safe in their homes and neighbourhoods.	R20	Council fails to provide support for victims of domestic abuse as required by the Domestic Abuse Act 2021.	New legislation imposing duties on the Council to provide accommodation-based support for victims of domestic abuse	Individuals / Families continue to suffer from the adverse impacts of domestic abuse	Domestic Abuse Act 2021 Health & Wellbeing Board	4	2	8	4	1	4	<p>Domestic Abuse Local Partnership Board, developing a strategy for the provision of accommodation based support. Cabinet approved the Sunderland Domestic Abuse Safe Accommodation Strategy, which aims to improve the lives of victims, survivors and their children describing how safe accommodation and support for domestic abuse victims-survivors will be provided over the next three years. Views have been obtained from residents and survivors to develop a wider strategy to protect people from Domestic Abuse (not just the provision of accommodation as required by Statute)</p>	Executive Director of Health, Housing & Communities							
	More resilient people.	R21	Opportunities are not taken to enable families and individuals to support themselves, to mitigate the impact of indebtedness and welfare reforms and progress their ambitions.	Ongoing austerity and welfare reform changes have exposed many more residents to the effects of poverty – including food insecurity. Impacts of Covid 19 and the cost of living crisis have reduced the value of income.	Increase in the number of families falling into debt and requiring welfare support. Increase in the number of children being able to achieve at school.	Sunderland Foodbank. City Plan.	4	4	16	4	1	4	<p>Sunderland City Council, in partnership with the voluntary and community enterprise sector has; Published our Statement of Intent for fuel energy measures to address fuel poverty/energy efficiency in privately owned homes. An Internal Task Group is reviewing how further support can be provided, working with Partners and the Voluntary Sector In response to the cost of living crisis</p>	Executive Director of Health, Housing & Communities							

City Plan Theme	City Plan Priority actions	ID	Strategic Risk Description	Cause	Impact	Current Controls	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	COG Lead	Overall Assurance	Management Assurance	Risk and Assurance	Internal Audit	External Assurance
							4	3	12	4	1	4							
ENABLING	Finance.	R22	Aspirations to deliver the City Plan may be restricted by financial pressures.	Uncertainty as to the level of Government funding to be provided (1 year settlement only) and timing and impact of any Fair Funding Review. Lack of clarity and guarantees on long term funding position increases the uncertainty around future delivery in the medium to longer term. Progressive reduction in Government funding since 2010. Cessation of European Funding with UK Shared Prosperity Fund only confirmed up until March 2025. Changes to funding streams, changes in amounts of funding, high levels of inflation, pay awards, borrowing costs, potential liabilities etc.	Inability / delay in addressing Sunderland's challenges / priorities leading to City Plan outcomes not being delivered. Strategic financial plans do not align to Council priorities, objectives and direction as set out in the City Plan.	Medium Term Financial Plan (MTFP). Budget Plan. City Plan.	4	3	12	4	1	4	The 2023/24 budget and MTFP was approved by Council in February 2023. At the same time, the update to the City Plan ensured a joined up strategy and financial view for the council. In year budget monitoring is tracking delivery of the budget in light of significant inflationary pressures (contractual, pay, utilities etc). Budget for 2024/25 is currently being developed and to be considered by Council on 28th February 2024. Appropriate consultation and intelligence gathering is undertaken in assessing the Council's short to medium term financial position with residents, supplemented with the usual engagement with Trades Unions, Schools Forum and business community. Lobbying of Government around funding for local authorities undertaken jointly through ANEC, SIGOMA etc.	Director of Finance					
	Partnership Working.	R23	Objectives and priorities of Council and other Partner(s) may conflict or are not aligned to deliver the priorities in the City Plan.	Reducing resources may lead to partners concentrating on their own priorities at the expense of City priorities. Lack of understanding by each partner as to the contribution they can play to the delivery of the City Plan. Lack of partnership performance monitoring. Not all Partnership Boards across the City are aligned and may not have a full understanding of the varying priorities and delivery objectives.	Unable to achieve City priorities and support communities.	City Plan.	4	2	8	4	2	8	Partners represented on the City Board to support delivery of the City Plan. Partners to identify projects that support delivery of the City Plan.	Assistant Director of Strategy and Corporate Affairs					

# CORPORATE RISK PROFILE

Risk Likelihood	Risk Impact	Likelihood			
1 = Unlikely	1 = Minor	4	3	2	1
2 = Possible	2 = Moderate	3	2	1	
3 = Likely	3 = Significant	2	1		
4 = Almost Certain	4 = Critical	1			
		Negative Impact			

# Appendix 3

ID	Risk Areas	Risk Description	Cause	Impact	Current Controls	Current Score (Sept 2023)			Mitigating Actions	Owner	Source of Assurance	Target Score			Assurance						
						Impact	Likelihood	Rating				Impact	Likelihood	Rating	Overall Assurance	1st Line	2nd Line		3rd Line		
														Management Assurance	Specialist Functions	Risk and Assurance	Internal Audit	External Assurance			
R01	Strategic Planning	The priorities set out in the City Plan do not address the needs of the City as whole.	Corporate planning process does not adequately reflect the views of the community. Various sections of the community are not engaged. The Council does not understand the impact of external factors on the community.	Fail to contribute to the welfare and future prosperity of our communities.	COG. JLT. City Plan. Strategic Risk Profile. Corporate Service Plan Template	4	1	4	City Plan driven by required outcomes and commissioning activity.	Director of Corporate Affairs	Risk and Assurance Team Internal Audit Governance questionnaire	4	1	4	Strategic Planning	X	Performance	X	X		
R02		Strategic plans are not adequately communicated on a timely basis to relevant Council officers and external partners responsible for delivering plans.	Lack of timetable re corporate / service planning Lack of communication of plans	Lack of delivery of plans by those partners/services responsible	COG. JLT. City Plan. Strategic Risk Profile. Corporate Service Plan Template	4	1	4	Communication of the City Plan continues across the Council and Partners. Service planning process to ensure that service plans reflect delivery of the City Plan.	All Assistant Directors/Directors	Risk and Assurance Team Internal Audit	4	1	4				Performance	X	X	
R03	Commissioning	Commissioning decisions are not based on appropriate intelligence	Appropriate intelligence is not gathered, e.g. performance data is incomplete, is out of date, or is not appropriately analysed or assessed to determine the needs of the community Do not engage with the appropriate sectors of the community / market	Ineffective use of limited resources. Customers outcomes are not achieved resulting in more expensive interventions being required.	Community engagement arrangements. Intelligence Service. Performance Management Framework.	4	2	8	Identify intelligence required and potential sources to inform decisions. Develop engagement plans to gather the required information. Analyse the information and use the results to inform the commissioning decisions.	All Assistant Directors/Directors	Governance questionnaire Internal Audit Corporate Performance Management	4	1	4	Commissioning	X				X	
R04		Most appropriate and cost effective commissioning option to meet identified needs and achieve commissioning priorities and outcomes is not chosen.	Failure to identify and evaluate relevant possible commissioning options of delivering services taking into account the resources available. Failure to build or shape capacity in 'market' and cooperative working e.g. partnerships to enable effective service options not in place to help achieve commissioning priorities and outcomes Inadequate options appraisal process Lack of resource or expertise Lack of Provider/Supplier capacity due to the impact of external factors.	Commissioning priorities and objectives are not achieved so community needs not being met. Ineffective use of limited resources.	City Plan. Service Plans. Strategic Risk Register	4	2	8	Options appraisal undertaken on service design following assessment of customer needs. Appropriate procedure followed to commission the preferred option, e.g. procurement, service re-design.	All Assistant Directors/Directors	Cabinet reports Internal Audit	4	1	4					X		X
R05		Commissioning assessment process is not undertaken on a timely or regular basis.	Inadequate resources. Insufficient forward planning for contracted services.	Changes in needs of community are not identified promptly. Inappropriate use of limited resources. Community's real needs are not met. Existing arrangements/contracts extended where it may not be the optimal solution	Service Plans.	4	2	8	Review of performance to ensure service delivery model is delivering outcomes. Commissioning Cycle to include planned review date either linked to outcome or contract timescales.	All Assistant Directors/Directors	Internal Audit	3	1	3					X		
R06	Service Delivery Arrangements	Service Plans do not include actions to achieve the City Plan priorities	Service plans are not driven by the City Plan	Fail to meet the needs of the City	Service Planning Process aligned to City Plan. Performance Management Framework.	4	2	8	Service Planning process is driven by the City Plan. Service Planning Process is communicated to all Assistant Directors.	All Assistant Directors/Directors	Internal Audit Corporate Performance Management	3	2	6	Service Delivery Arrangements		Performance		X	X	
R07		The level of services delivered by the council does not meet customer needs and/or expectations.	Lack of understanding of the priorities Lack of financial resources to invest in changing arrangements Lack of benchmarking to identify service development opportunities Lack of management time to consider delivery improvements Capability issues Lack of capacity due to increased demand as a result of external factors	Required outcomes for customers not achieved. Reputational damage. Wasted resources.	Service Planning Process. Performance management arrangements. Transformation Programme. Strategic Risk Profile	4	3	12	Performance in relation to the delivery of outcomes is regularly monitored.	All Assistant Directors/Directors	Corporate Performance Management Internal Audit Governance questionnaire	4	1	4			X		X	X	

ID	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact	Likelihood	Rating	Mitigating Actions	Owner	Source of Assurance	Impact	Likelihood	Rating	Overall Assurance	Management Assurance	Specialist Functions	Risk and Assurance	Internal Audit	External Assurance
R08		Performance targets are not set or do not clearly identify the acceptable levels of service delivery performance.	Lack of understanding of how to measure acceptable performance.	Unable to understand if performance levels are acceptable.	Corporate performance management process.	3	2	6	Targets should be set for all performance measures (where appropriate to do so) to clarify acceptable levels of performance.	All Assistant Directors/Directors	Governance questionnaire Corporate Performance management Internal Audit	3	1	3		X	Performance	X	X	
R09		Management fail to take prompt effective action in response to unacceptable performance results reported or fails to follow up to ensure remedial action is effective.	Lack of time to consider performance. Performance information not accurate, timely or understood. Management not held to account for performance. Lack of resource or control to make necessary changes.	No or delay in action taken to improve service which may have major impact on customers. Poor reputation for Council.	Corporate Performance management. Performance Clinics.	3	2	6	Management review performance on a regular basis and take appropriate action to rectify unacceptable performance.	All Assistant Directors/Directors	Corporate Performance management arrangements Internal Audit Governance questionnaire	3	1	3		X	Performance		X	
R10		Services fail to monitor their financial resources to ensure effective delivery of planned services.	Lack of time spent on budget monitoring. Lack of understanding of the service's financial position. Lack of complete or timely financial information.	Services not effectively delivered due to lack of resources.	Budget managers guidance. Financial Resources support.	4	1	4	Managers continue to engage with Financial Resources to understand the financial performance of their services areas	All Assistant Directors/Directors	Financial Resources Internal Audit Governance questionnaire	4	1	4			Performance			
R11		Services do not meet the needs of the City as key risks are not identified or appropriately managed.	Potential barriers to the delivery of services are not identified or assessed.	Services not effectively delivered. Waste of resources.	Service Planning process.	3	3	9	Services should continue to identify risks to service delivery during the service planning process and consider appropriate mitigating actions.	All Assistant Directors/Directors	Risk and Assurance Internal Audit Governance questionnaire	3	1	3			Performance			
R12	Partnership / Integrated Working	Objectives and priorities of Council and other partner(s) conflict/are not aligned to deliver the priorities of the City.	Reducing resources forces partners to concentrate on their own priorities at the expense of partnership priorities. Lack of communication of plans between partners. Lack of partnership performance monitoring. Increased demand on limited resources due to the impact of external factors	Unable to achieve City priorities and support communities.	City Plan. Partnership Boards. Partnership Framework.	4	2	8	Continue engagement with partners regarding activity being undertaken to contribute to the delivery of the City Plan	All Assistant Directors/Directors	Internal Audit	4	1	4	Partnership / Integrated Working				X	
R13		Lack of understanding by each partner as to objectives, and nature of partnership (e.g. responsibilities, if applicable, sharing of profits, costs or losses, dispute resolution, governance, decision making, planning, risk sharing).	Lack of formal comprehensive written partnership agreement.	Delay in delivery of plans and outcomes for community. Lack of delivery of priorities.	Partnership Framework.	4	2	8	All Assistant Directors should be reminded of the requirements of the partnership Code of Practice. Partnership agreement in place with each partner setting out the expectations of each party and the required reporting arrangements	All Assistant Directors/Directors	Governance questionnaire Internal Audit	4	1	4		X			X	
R14	Procurement	The product or service procured does not deliver the intended outcomes.	Poor specification. Lack of understanding of what is needed by commissioner. Poor communication between commissioner and procurement. Limited capacity of providers/suppliers due to external factors. Inadequate evaluation process	Fail to obtain value for money. Objectives/outcomes are not achieved. Most appropriate commissioning options are not obtained.	Procurement Procedure Rules.	3	1	3	The Council's procurement procedures continue to be followed and good procurement practice is undertaken	All Assistant Directors/Directors	Internal Audit Risk and Assurance	3	1	3	Procurement			X	X	
R15		Procurement breaches legal and Council requirements.	Lack of procurement procedure rules and training. Lack of knowledge of legal/Council requirements. Failure to adhere to requirements (deliberate, e.g. corruption or accidental).	Legal/financial penalties. Challenge, delays in award of contracts. Loss of reputation.	Procurement Procedure Rules in place. Procurement have skilled staff. Corporate Procurement support council officers.	2	1	2	Communication with COG / Assistant Directors regarding failure to comply with Procurement Procedure Rules. Commissioners engage with Corporate procurement in enough time to undertake an appropriate and legal procurement process.	Assistant Director of Assurance and Property Services All Assistant Directors/Directors	Internal Audit	2	1	2				X	X	
R16		Value for money not obtained.	Lack of competition. Corruption. Inappropriate specification. Poor procurement planning.	Poor quality of goods/services and customer service. Pay higher prices - waste of scarce resources.	Procurement Procedure Rules in place. Procurement have skilled staff. Corporate Procurement support council officers.	3	2	6	Commissioners engage with Corporate procurement in enough time to undertake an appropriate and legal procurement process.	All Assistant Directors/Directors	Internal Audit	3	1	3					X	
R17	Relationship / Contract Management	Contracts do not deliver the required objectives/outcomes.	Lack of clear contract/specification provisions in place to allow effective management of the contract. Lack of appreciation of importance of contract management during the procurement process. Lack of clarity of clear measures and standards required by commissioner in specification to allow for contract management post award. Lack of contract management activity following contract award	Fail to obtain value for money, i.e. pay too much or poor service obtained. Objectives are not achieved. Excessive resources used on dispute resolution.	Contract management framework. Corporate Procurement support to officers.	4	2	8	Contract management arrangements should be in place for all key contracts entered into by the Council.	All Assistant Directors/Directors	Governance questionnaire Internal Audit	4	1	4	Relationship / Contract Management	X	Performance	X	X	

ID	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact	Likelihood	Rating	Mitigating Actions	Owner	Source of Assurance	Impact	Likelihood	Rating	Overall Assurance	Management Assurance	Specialist Functions	Risk and Assurance	Internal Audit	External Assurance	
R18	Legality	Council fails to act within its statutory powers.	Lack of Constitution, Procedure rules and / or delegation scheme etc. Constitution, procedure rules, delegation scheme are not communicated or understood by officers. Decision makers have lack of access to legal expertise. Lack of awareness of officers as to their legal responsibilities. Changes in law are not recognised and implemented.	Council's actions are found to be ultra vires. Financial penalties. Legal challenge. Loss of reputation. Delay in delivery of outcomes.	Constitution and Procedure Rules.	3	1	3	Ongoing review of key decisions by Law and Governance. Officers continue to be aware of changes in legislation that impact on their services.	Assistant Director of Law and Governance All Assistant Directors/Directors	Law and Governance Governance questionnaire Internal Audit	3	1	3	Legality	X	Law and Governance	X	X		
R19	Risk Management	Failure to identify and manage the major risks and opportunities to delivering priorities and plans.	Risk Management process is not aligned with delivering priorities. Senior Management/Members do not monitor the management of key risks to the Council. Risk appetite of the Council is not identified and communicated.	Priorities are not achieved. Loss of reputation. Potential financial penalties.	Risk Management Policy and Strategy. Integrated Assurance Framework. Strategic Risk Profile	3	2	6	The Council's strategic and corporate risks are identified, assessed and managed through COG and the Audit and Governance Committee. Risk Management Policy and Strategy to be reviewed.	Assistant Director of Assurance and Property Services	Risk and Assurance Team Audit and Governance Committee Governance questionnaire	3	1	3	Risk Management	X		X	X		
R20	Corporate Performance Management	Performance reporting fails to give a full and accurate picture of the progress in achieving strategic priorities and outcomes.	Performance reporting does not address all priority issues. Performance indicators are inappropriate. Performance targets not set to aid evaluation of performance. Performance data reported is inaccurate, out of date, difficult to understand or incomplete. Performance reporting not timely.	Reporting does not identify if achievement of all priorities are on track or if interventions are required. Appropriate remedial actions are delayed.	Performance Management Framework.	3	1	3	Management review performance on a regular basis and take appropriate action to rectify unacceptable performance.	Director of Corporate Affairs	Corporate performance management Internal Audit	3	1	3	Performance Reporting		Performance		X		
R21	Financial Management	Strategic financial plans do not align to Council priorities, objectives and direction as set out in the City Plan.	Corporate and financial planning processes are not coordinated to allow plans to be aligned. Financial planning process does not involve consultation with key decision makers in Council both councillors and officers.	Plans made which are not adequately resourced. Failure to achieve plans and outcomes for community. Council financial resources overstretched.	MTFS Budget consultation process	4	1	4	The strategic financial plan should be aligned with the priorities in the City Plan.	Director of Finance	Financial Resources	4	1	4	Financial Management						
R22		Strategic financial plans are at risk due to all critical factors likely to affect the Council's finances moving forward, e.g. changes to funding streams, changes in amounts of funding, inflation, pay awards, potential liabilities etc.	Poor intelligence gathering or horizon scanning. Lack of resources. Lack of consultation/communication with senior officers. Lack of clarity of the financial support from Government.	Decisions made with inaccurate information. Plans made which are not adequately resourced. Failure to achieve plans and outcomes for community. Council financial resources overstretched.	Strategic financial planning process. Strategic Risk Register.	4	3	12	Appropriate consultation and intelligence gathering is undertaken in assessing the Council's short to medium term financial position.	Director of Finance	Financial Resources External Audit	3	1	3							
R23		Financial reporting fails to reflect on how financial changes in one area impacts on other areas of the council.	Financial savings in one area may have a more than proportionate increase in other service areas	Savings plans are not achieved in practice.	Financial Reporting Procedures.	3	1	3	The Council's financial position is regularly reported to COG and Members.	Director of Finance	Financial Resources	3	1	3			Financial Resources		X		
R24		The Council does not take all opportunities to pursue external funding when available.	Lack of awareness of funding streams available. Lack of planning regarding priorities to be able to react to available funding.	The Council fails to deliver its priorities in an efficient way. Some priorities may not be delivered.	External Funding Team. Strategic funding group.	3	1	3	Ensure that horizon scanning considers changes in future sources of funding.	Director of Finance	Internal audit	3	1	3			Financial Resources				
R25		The Council does not maximise the use of external funding that has been allocated.	Lack of planning. Lack of awareness of the terms and conditions of the funding. Delays in project completion	Loss of grant income. Some priorities may not be delivered.	Financial monitoring. Project management standards.	3	2	6	The Council monitors the use of all grant monies to ensure there is no loss.	Director of Finance	Internal Audit	3	1	3			Financial Resources				
R26		Financial reporting fails to give a full and accurate picture of the progress to achieving corporate financial priorities and targets.	Financial reporting does not address all priority issues. Financial performance measures are inappropriate. Financial targets not set to aid evaluation of performance. Financial performance data reported is inaccurate, out of date, difficult to understand or incomplete. Financial performance reporting not timely	Financial reporting does not identify if achievement of all priorities are on track or if interventions are required. Appropriate remedial actions are delayed.	Corporate Performance Reporting. Performance Clinics.	3	1	3	Financial performance reporting is aligned to performance reporting to identify any potential inaccuracies or inconsistencies.	Director of Finance	Financial Resources Corporate Performance Management	3	1	3			Financial Resources		X		
R27		The Council fails to pay its employees (and those of other clients) accurately and on time.	Lack of resources to process the changes to the payroll. Lack of a clear timetable for the submission of information. Lack or payroll staff with the required training	Delay in making salary payments. Claims from employees for costs incurred for late payment of bills. Loss of reputation as a payroll provider.	Policies and procedures in place for operating the payroll system. Employee self service.	3	1	3	Controls in place to ensure that the payroll runs are complete and accurate and operate efficiently.	Director of Smart Cities and Enabling Services	Internal Audit	3	1	3					X	X	
R28		The Council fails to make payments to its suppliers and clients accurately and on time.	Lack of resources to process the required payments. Lack of appropriate checks on payments before processing. Lack of controls in place to ensure payments are processed per the required timescales.	Loss of reputation with suppliers. Claims for interest for late payments.	Procedures in place within the Purchase to Pay system	3	1	3	Procedures required for making payments accurately and on time are up to date and fully understood by staff within the payments service	Director of Finance/Director of Smart Cities and Enabling Services	Internal Audit	3	1	3					X	X	

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R29		The Council fails to process payments for benefits accurately or on time.	Poor assessment procedures. Lack of timetable for assessing claims. Delay in the processing of claims.	Customers do not receive the correct amount of benefit resulting in financial hardship. Customers receive their payments late causing unnecessary debt.	Assessment procedures and performance indicators in place.	4	1	4	Established procedures are in place and followed by adequately trained staff for the assessment and processing of benefit claims.	Director of Finance	Internal Audit	4	1	4					X	X
R30	Income Collection (including CT/NNDR)	Council fails to bill and or promptly collect the income that is due to its.	Lack of resources. Inadequate procedures for raising accurate bills. Inappropriate methods to allow customers to pay bills. Over generous credit terms. Economic conditions increase the number of bad debtors. Procedures fail to identify non payments. Ineffective enforcement of credit control arrangements.	Financial loss. Unable to balance the budget.	Financial procedure rules. Performance indicators in place.	3	1	3	Regular monitoring that the income received is in line with that expected as per the Council's budget.	Director of Finance	Financial Resources Internal Audit	3	1	3					X	X
R31		Prosperity within the City fails to grow resulting in the expected level of income being uncollectable.	Number of businesses in the City reduces or does not grow. Increased number of families suffering financial hardship. Debts increase and become harder to recover. External factors have resulted in a worsening financial and domestic situation of many residents.	Financial loss. Negative impact on cashflow. Inability to achieve financial targets.	City Plan. Strategic financial planning.	3	4	12	Clear performance measures and regular monitoring of the debtor position highlight potential loss of income.	Director of Finance	Financial Resources Internal Audit	3	2	6						
R32	Capital Programme Management	Capital projects do not support the delivery of strategic priorities and desired outcomes.	Capital projects are based on available funding and not linked to priorities. Inadequate business cases for projects.	Priorities are not delivered. City does not have the required infrastructure. Poor integration of city developments.	Capital Programme Board	3	1	3	The Capital Programme is directly aligned to the City Plan and strategic priorities.	Director of Finance	Financial Resources Internal Audit	3	1	3			Financial Resources	X	X	
R33		The intended benefits of capital projects are not identified and/or realised.	Lack of awareness of funding conditions. Poor planning. Poor monitoring of projects. Lack of monitoring of the realisation of benefits after the completion of the projects.	Loss of funding. Council resources used to fill funding gaps. Other planned projects postponed. Lack of delivery of the Council priorities.	Capital Programme Board	3	3	9	Corporate approach to planning and monitoring of the delivery of the benefits of each project and the wider Capital Programme.	All Assistant Directors/Directors	Financial Resources Internal Audit	3	2	6				X	X	
R34	People Management	The council does not have the required skills and capacity to deliver the City's priorities.	Shrinking workforce leading to a reduction in capacity and skills. Rapid loss of key/senior officers and associated expertise. Lack of effective workforce planning to ensure Council has workforce to meet the needs of Council going forward. Insufficient resources to maintain effective HR management resource and arrangements. Insufficient training and development. Staff absence due to sickness.	Lack of or delay or increased costs in delivering priorities.	Corporate Performance Management.	3	3	9	Workforce planning strategy in place that is appropriately monitored to ensure its is effectively implemented. People Management Improvement Programme in place	Director of Smart Cities and Enabling Services	People Management Internal Audit Governance questionnaire	3	2	6		X	Health and Safety	X	X	
R35		Reduction in productivity and morale of workforce.	Increasing workloads. Instability due to ongoing changes. Job insecurity. Increased demand / pressures due to external factors.	High absence/sickness rates. Stress related absence. Lower standards of service delivery. Increased costs. Increased homeworking has had a positive impact of staff morale.	Corporate Performance management. Performance Clinics.	4	2	8	Recognition of reduced capacity. Employees feeling valued and supported.	All Assistant Directors/Directors	People Management Internal Audit	4	2	8			People Management			
R36	Health and Safety	Council officers do not fully understand H&S roles and responsibilities.	Roles and responsibilities not clearly documented and/or communicated effectively. Loss of knowledge from organisational change and staff churn. Ineffective training and awareness programme. Lack of easy access to relevant documents on the Hub.	Lack of ownership and accountability for H&S. Inconsistent approach to the management of H&S issues across directorates, divisions and teams. Reduced compliance with quality standards and best practice. Inability to adequately prevent incidents occurring. Inadequate documentation and controls leading to injury and death.	Corporate Health and Safety Team and Audit programme. Corporate Health and Safety Statement of Intent. Agreed H&S Policy /Strategy. Improved access to documents on the Hub and sharepoint site.	3	2	6	Continue to work with Senior officers and report progress to COG	Assistant Director of Assurance and Property Services	Internal Audit Governance questionnaire	3	1	3			Health and Safety	X	X	



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R37		The council's key H&S risks are not identified, understood or agreed.	Lack of effective coordinated corporate approach to the identification of H&S risks. Lack of awareness or prioritisation of H&S across Chief officers, managers and operational colleagues. Lack of clear responsibilities of premises managers, landlords and leaseholders.	Key H&S risks not effectively managed leading to injury or death of the public, staff, suppliers or partners. H&S legal duties not fulfilled and/or demonstrated. Reduced oversight and accountability at strategic and operational levels across the council leading to uninformed decision making. None compliance with quality standards. Litigation and adverse PR.	Corporate Health and Safety Team. Risk assessment process. Dashboards provided to Assistant Directors and escalation process in place. Training packages on learn system. Majority of senior officers have received training. Reports to COG result in improved performance.	3	2	6	Continue to monitor Health and Safety Risks through the assurance framework and work with relevant colleagues to manage the risks in place.	Assistant Director of Assurance and Property Services	Internal Audit Governance questionnaire	3	1	3			Health and Safety		X	
R38		Appropriate action plans are not developed and agreed to manage the council's key H&S risks.	Lack of joined up corporate approach to the management of H&S risks. Lack of effective process to develop clear and robust action plans to establish relevant controls and officer ownership.	Effective controls not established and/or operated appropriately. Inconsistent and disjointed approach across the council to the management of shared risks leading to confusion and mismanagement of control systems.	Corporate Health and Safety Team. Health and Safety Audits. Implementation of actions recorded in Auditor system. Risk assessments developed for tasks and council buildings. Introduction of the H&S Management System.	3	2	6	Continue to oversee the management of Health and Safety risks through the Executive Group and annual reporting to COG.	Assistant Director of Assurance and Property Services	Internal Audit Governance questionnaire	3	1	3			Health and Safety		X	
R39		Strategic approach to incident management does not adequately inform decision making.	Lack of understanding of responsibilities and accountability for incident response. Non-compliance with incident reporting arrangements. Incomplete trend analysis and learning lessons from incidents. Availability of quality data/information to inform effective reporting to COG.	Ineffective decision making. Implementation of inappropriate controls. Existing controls not reviewed and revised in response to learning from incidents becoming out-of-date and ineffective. Avoidable repetition of incidents.	Corporate Health and Safety Team. Annual Health and Safety Report. Regular Executive Health and Safety meetings where detailed information is presented and discussed. Specific Training provided regarding how to manage a Health and Safety Incident. Monthly reporting to Senior Managers resulting in trends reducing.	3	1	3	Continue to monitor compliance with incident reporting arrangements and address any areas for development.	Assistant Director of Assurance and Property Services	Internal Audit Governance questionnaire	3	1	3			Health and Safety		X	
R40	ICT Infrastructure	The ICT infrastructure is not fit for purpose (i.e. does not meet the needs of Council, not reliable, too expensive).	Reducing resources impacts upon the ability to maintain a stable infrastructure. Lack of funds to maintain/upgrade infrastructure. Increased reliance/demand on ICT due to move to hybrid working.	Disruption to service provision impacting on delivery of priorities. Waste of financial resources due to excessive cost. Less efficient and effective service delivery. Loss of productivity.	ICT development plan. Wide roll out of laptops, Windows 10 and Microsoft Teams to aid hybrid working.	4	1	4	The ICT strategy is clearly aligned to the priorities of the Council and the direction of travel for the provision of Council Services.	Director Smart Cities and Enabling Services	ICT Internal Audit	4	1	4	ICT Infrastructure	X	ICT	X	X	
R41		ICT infrastructure is not resilient to 'disasters'.	Lack of planning for disasters (prevent or respond to). No adequate business continuity/disaster recovery ICT infrastructure in place. Lack of business continuity/disaster recovery plan which has been tested. Key employees not briefed as to their disaster recovery responsibilities. Lack of 24/7 ICT support in the event of an incident.	Disruption to service provision impacting on delivery of priorities. Loss of productivity. Waste of financial resources due to excessive cost. Less efficient and effective service delivery. Loss of productivity.	Business continuity arrangements (ICT and in services).	4	2	8	Disaster recovery plans clearly linked to the provision of critical services, regularly tested and the recovery timescales reflected in the business continuity plans for critical services.	Director Smart Cities and Enabling Services All Assistant Directors/Directors	ICT Internal Audit Business continuity officer	4	1	4		X	ICT	X	X	

ID	Risk Areas	Risk Description	Cause	Impact	Current Controls	Risk			Mitigating Actions	Owner	Source of Assurance	Risk			Overall Assurance	Management Assurance	Specialist Functions	Risk and Assurance	Internal Audit	External Assurance
						Impact	Likelihood	Rating				Impact	Likelihood	Rating						
R42	Cyber Security	The Council is exposed to vulnerabilities and threats, both internal and external, (e.g. hacking, phishing, denial of service attack) resulting in a loss of systems and/or confidential information.	Lack of appreciation by management of threat/risks of cybercrime to Council's operations. Low priority given to cybersecurity. Lack of cybercrime prevention culture created (lack of cybersecurity policies and procedures (prevention and response), lack of ongoing employee training/awareness). Lack of monitoring of alerts/warnings, e.g. no Security and Incident and Event Management (SIEM) solution in place. Lack of investment in existing infrastructure increases level of vulnerability penetration testing vulnerability test results not actioned in suitable time scales. Lack of resources. Lack of understanding of what valuable data the Council holds. Increased cyber activity during Covid 19 outbreak.	Loss of public trust, customer confidence, finance and reputational damage. Fines / compensation. Loss of systems or data loss. Major business disruption.	Strategic Information Governance Group. Operational Information Governance Group. ISO 27001. Cyber security arrangements	4	2	8	A Cyber security Strategy is in place, including and threat assessment, development plan and response plan.	Director Smart Cities and Enabling Services	ICT Internal Audit	4	2	8	Cyber Security		ICT	X	X	
R43	Information Governance / Security	Council's data is not accurately protected.	Lack of awareness of the importance of protecting the Council's data. Lack of compliance with data security arrangements. The Council is not aware of the data it holds or ensures that it is complete and accurate. Protection arrangements do not prevent unauthorised access and use of data. Increased remote working brings increased risk to data held in homes.	Loss of public trust and reputational damage. Fines / compensation. Claims from those who have been adversely effected.	Strategic Information Governance Group. Operational Information Governance Group. ISO 27001. Cyber security arrangements	3	2	6	Council has appropriate information governance and security arrangements in place which are complied with throughout the organisation.	Assistant Director of Assurance and Property Services All Assistant Directors/Directors	Data Protection Office Governance questionnaire Internal Audit	3	1	3	Information Governance / Security	X	DPO	X	X	
R44	Business Continuity Management	The Council's business critical services cannot function in the event of an incident.	Business Continuity Plans not up to date, reviewed or revised to reflect organisational, procedural and staff changes. Business continuity plans are not tested appropriately. A number of incidents impact at the same time e.g. Covid 19, Brexit, winter flu, adverse winter weather	Services are unable to respond in adverse conditions.	Corporate Business Continuity Group. Business Continuity plans. Response to the first wave of Covid 19 was successful with no failures to deliver critical services.	3	2	6	Business continuity plans are reviewed and tested on a regular basis and take into account the cumulative effects of concurring incidents.	Assistant Director of Assurance and Property Services All Assistant Directors/Directors	Business Continuity Officer Internal Audit Governance questionnaire	4	1	4	Business Continuity Management	X	Business Continuity	X		
R45		Lack of awareness of content of business continuity plans.	Lack of effective communication strategy. Lack of testing.	Services are unable or slow to respond appropriately to disasters when occur affecting services to community, safety of individuals. Loss of reputation.	Corporate Business Continuity Group. Business Continuity plans. Successful response to Covid 19 outbreak.	4	1	4	Relevant staff are made aware of the content of the business continuity plans and understand their role in implementing them.	All Assistant Directors/Directors	Business Continuity Officer Internal Audit Governance questionnaire	4	1	4		X	Business Continuity	X		
R46	Programme / Project Management	Programmes and projects fail to deliver the desired benefits and outcomes.	Lack of agreed Project Management Standards. Lack of Project Plans and Governance. Lack of monitoring of achievement.	Fail to obtain value for money. Programme and Project objectives are not achieved.	Corporate Project /Programme management arrangements.	3	3	9	The expected benefits of programmes and projects are clearly set out at the start and their achievement monitored throughout.	All Project Sponsors	Project Office Risk and Assurance Internal Audit Governance questionnaire	3	1	3	Programme / Project Management	X	Programmes and Projects	X	X	X
R47	Asset Management	Opportunities are not taken to maximise the use of assets (land and property). Assets are not fully utilised.	Council does not "sweat" its assets to obtain the maximum returns. Fail to maintain property. Changes in size and direction of Council and services it provides. Lack of asset management planning. Changes in how services delivered. Changes in technology. Assets become uneconomic to run. Lack of investment in asset management planning. Council unaware of assets it owns.	Fail to increase council income. Fail to decrease costs.	Asset Management Plan.	3	3	9	The use of Council assets are monitored on an ongoing basis, particularly in response to changing staffing levels and changing service delivery models.	Assistant Director of Assurance and Property Services	Internal Audit	3	2	6	Asset Management			X	X	
R48		The Council does not fulfil its statutory duties in relation to its property portfolio.	Lack of resources. Lack of planning. Lack of monitoring or conditions of assets. Lack of knowledge of changes to the property portfolio.	Members of the public or staff are at risk of being harmed. Legal action taken against the Council. Reputational Damage.	Asset Management Plan.	4	2	8	The Council's Asset Management Plan is updated maintained accurately on an ongoing basis. Condition of assets are monitored on an appropriate basis and maintenance scheduled as required.	Assistant Director of Assurance and Property Services	Health and Safety Internal Audit	4	1	4						
R49	Anti Fraud and Corruption	Council fails to prevent, detect and investigate acts of fraud and corruption.	Relaxation of controls due to a reduction of resources. Lack of anti fraud culture. Lack of anti fraud and corruption procedures embedded into processes.	Financial loss potentially resulting in a reduced service offering to the customer.	Anti fraud and corruption policy and procedures.	2	2	4	Managers are aware of the fraud risks within their area and maintained appropriate controls bearing in mind changes to service delivery and staffing levels.	All Assistant Directors/Directors	Governance questionnaire Internal Audit	2	2	4	Anti Fraud and Corruption	X			X	

**Strategic Risk Profile**

Key Risk Area	2019/20 Audits / Opinions		2021/22 Audits / Opinions		2022/23 Audits / Opinions		2023/24 Audits / Opinions		Overall Opinion
More and better jobs									
More and better housing					Housing Regulatory Framework/HRA	S			
More local people with better qualifications and skills to enable them to participate in and benefit from a stronger economy									
A stronger City Centre with more businesses, housing and cultural opportunities									
A lower carbon City with greater digital connectivity for all			Programme Governance Arrangements - Smarter Cities		Programme Governance Arrangements - Smarter Cities	S			
					Carbon Reduction Plan	S			
Access to the same opportunities and life chances			Taxi Licensing	M					
More people living healthier longer lives			Public Health Grant	S	Health Protection Board	S			
					Homelessness	M			
People enjoying independent lives			Adults Safeguarding - MASH	M	Adult Social Care Recovery Arrangements	S	Adult Social Care - Assessment and Support Arrangements		
			Financial Safeguarding - CPAT	S	Use of Assistive Technologies	M			
Cleaner and more attractive City and neighbourhoods	Environmental Services	M							
A City with great transport and travel links									
More creative and cultural businesses									
More residents participating in their communities									
More visitors visiting Sunderland and More residents participating in cultural events			Collections Management	M					
More people feel safe in their neighbourhoods and homes									
More resilient people									
Finance							From audits below		
Partnership Working	Partnership Arrangements				Partnership Arrangements	M			

**Corporate Risk Profile**

Key Risk Area	2019/20 Audits / Opinions		2021/22 Audits / Opinions		2022/23 Audits/Opinions		Overall Opinion
Strategic Planning					Partnership Arrangements	M	

Commissioning					Performance Monitoring within Public Health	S			
Service Delivery Arrangements	Licencing		Financial Safeguarding/CPAT Communications	S	Delivery of Council Restructure	S	Adult Social Care - Assessment and Support Arrangements		
	Development Control				Planning and Development Control	S	Protection of Vulnerable Adults Property		
	Environmental Services	M			Delivery of Port Business Plan		Delivery of Port Business Plan		
	Delivery of Council Restructure	S			Highways Work Programme	S			
	Liquid Logic - Adults	S							
Partnership /Integrated Working	Partnership Arrangements				Partnership Arrangements	M			
Procurement	Revenue Procurement	S	Procurement Strategy	S	Revenue Procurement		Revenue Procurement	S	
	Capital Procurement	M	Purchasing Cards	M					
			Charging methodology - Highways	S					
			Use of agency framework	M					
Relationship/Contract Monitoring	Contract Monitoring SCAS	M					Contract Management Street Lighting PFI		
	Contract Monitoring - Siglion	S					Contract Management Sandhill Centre PFI		
	Contract Monitoring - Sunderland Homes						Housing Repairs and Maintenance SLA Contract Management - Key Contracts		
Legality			Compliance with Operating Licence	M	Planning and Development Control	S	Protection of Vulnerable Adults Property		
					Compliance with the Operating Licence	M	Regulatory Services Compliance		
					Delivery of Environmental Services Action Plan	S			
					Compliance with the Operating Licence, Non Environmental Services	L			
Risk Management					External Funding	S			
					Highways Work Programme	S			
Corporate Performance Management	Performance Monitoring - City plan		Performance Monitoring - City Plan	S	Performance Management within Housing	S			
	Delivery of PEER Review Action Plan	S			Performance Management within Public Health	S			
Financial Management			BACS	S	Local Transport Capital Settlement - Highways Maintenance Needs	S	Local Transport Capital Settlement - Highways Maintenance Needs		
			Budget Management	S	Local Transport Capital Settlement - Integrated Transport	S	Local Transport Capital Settlement - Integrated Transport		
			Payroll	M	Local Transport Capital Settlement - Incentive Element	S	Local Transport Capital Settlement - Incentive Element		
			Accounts Payable	S	Nexus	S	Nexus		
			Local Transport Capital Settlement - Capital Maintenance	S	Pothole Action Fund	S	Pothole Action Fund		
			Local Transport Integrated Transport	S	Sunderland A1290 Safety Improvement Scheme Phase 2	S	Holmeside Bus Rationalisation		
			Nexus	S	Disabled Facilities Grants	S	Disabled Facilities Grant		
		S	Pothole Action Fund	S	Public Sector Decarbonisation	S	Installing Changing Places and Toilet Facilities		
	Treasury Management	S	Sunderland A1290 Safety Improvement Scheme Phase 1	S	Sustainable Mobility Hub		Sustainable Mobility Hub		
	BACS	S	Disabled Facilities Grant	S	Riverside Sunderland Strategic Infrastructure Works		Riverside Sunderland Strategic Infrastructure Works		
	Payroll		Disabled Facilities Grant - Additional Monies	S	Hillthorn Business Park Power Supply		Hillthorn Business Park Power Supply	S	
	Accounts Payable	M	Cycleways	S	Green Homes Grant LA Decarbonisation	S	Strategic Cycle Network		
	EFA Funding	S	Vaux Phase 1		Vaux LGF		Sunderland Railway Station		
	Local Transport Capital Settlement - Capital Maintenance	S	SSTC3 Design and Development		SSTC 3 Design and Development	S	Smarter Cities		

Local Transport Capital Settlement - Integrated Transport (Combined Authority)	S	Travel Demand Management	S	External Funding	S	Holmeside MSCP	
Nexus (Combined Authority)	S	Travel Demand Management - Top Up Monies	S	BACS	S	Family Hubs and Start for Life 31/6341	S
Pothole Action Fund	S	Home to School/College Transport - Second Half of Spring Term	S	Payroll		Family Hubs and Start for Life 31/6340	S
Local Transport Capital Settlement - Incentive Element	S	Home to School/College Transport - Summer Term	S	Accounts Payable		Family Hubs and Start for Life 31/6317	S
Better Care Fund - DFG	S	Home to School/College Transport - 2020/21 Academic Year	S	Benefits Overpayment and Recovery	S	Family Hubs and Start for Life 31/6536	S
Vaux Phase 1				The provision of project promotion and prevention of Better Mental Health Grant Funding	S	Family Hubs and Start for Life 31/6535	S
Northern Gateway	S			Additional Drug Treatment Crime and Harm Reduction Universal Component Grant Funding	S	Family Hubs and Start for Life 31/6545	S
				Test and Trace Support Payment Scheme Funding Grant Determination 31/5309	S	Vaux LGF	S
				Test and Trace Support Payment Scheme Funding Grant Determination 31/5435	S	IAMP	
				Test and Trace Support Payment Scheme Funding Grant Determination 31/5668	S	Holiday Activity Fund	S
				Test and Trace Support Payment Scheme Funding Grant Determination 31/5704	S	Multiply Grant	S
Local Transport Capital - Highway Maintenance	S			Test and Trace Support Payment Scheme Funding Grant Determination 31/5385	S	Public Health Agreements/Environmental Health	
Liquid Logic including business processes	S			Test and Trace Support Payment Scheme Funding Grant Determination 31/5789	S	Compliance with Homes England Funding	
				Test and Trace Support Payment Scheme Funding Grant Determination 31/6187	S	Vulnerable Groups Funding Arrangements	
				Test and Trace Support Payment Scheme Funding Grant Determination 31/6215	S	Payroll	
				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5075	S	BACS	S
				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5219	S	Accounts Payable	
				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5244	S	Turnaround Grant Funding	S
				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5304	S	Safer Roads A1290	
				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5341	S		

				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5411	S			
				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5183	S			
				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5456	S			
	Pothole Action Fund - Additional Monies	S		Test and Trace Contain Outbreak Management Fund Surge Funding 31/5518	S			
				Adult Weight Management Services Grant 31/5440	S			
				Biodiversity Net Gain Grant 31/6499	S			
				LEVI Fund 31/6506	S			
Income Collection (including CR/NNDR)	Cash Receipting, compliance	S	Business Rates Recovery	S	Income Collection	S	Adult Social Care Income Arrangements	
	Council Tax Setting and Billing	S	Council Tax Recovery	S	Accounts Receivable		Income Collection	S
	Accounts Receivable - Recovery	S	Accounts Receivable Recovery and PI	M	Land Charges	S	Accounts Receivable	
	Council Tax Liability	S	Housing Rent Collection	M				
	Business Rates setting and billing	S	Income Collection	S				
	Business Rates Liability	S						
Capital Programme Management	Project Management Benefits Realisation, including capital funding	M						
HR Management	HR - SAP Optimisation		Recruitment and Selection	S	Human Resource Case Management	L	Human Resource Management	
	Port - Effectiveness of Restructure						Compliance with pay and grading model	
	Communications re organisational change	S						
Health and Safety				Port Health and Safety	S			
ICT Infrastructure			ICT Disaster Recover / Business Continuity	L				
	ICT Asset management	M						
Cyber Security	Cyber Security	M	Cyber Security	M	Cyber Security	M	Cyber Security	
	Mobile Device Management	S			Information Security	S	Information Security	
Information Governance/Security	GDPR	M	GDPR	M	GDPR	S	Compliance with Caldicott Requirements	
					Information Security	S	Information Security	
					Archived Records Management	M		
Business Continuity Management	Update of Directorate plans re new structures	M	Corporate Business Continuity Arrangements	S	Use of Assistive Technologies	M	Resilience to Port Service Business Commitments	
					Resilience of Port Management Structure			
Programme/Project Management	Project Management Benefits Realisation, including capital funding	M	Programme Governance Arrangements - Smarter Cities		Programme Governance Arrangements - Smarter Cities	S	Regeneration Programme Management Arrangements	
Asset Management			Housing Asset Management	M	Corporate Asset Management Strategy and Compliance		Corporate Asset Management Strategy	
			Collections Management	M				
Anti Fraud and Corruption	Payroll compliance Testing		BACS	S	BACS	S	Protection of Vulnerable Adults Property	
	BACS compliance testing	S	Purchasing Cards	M	Income Collection	S	BACS	S
	Cash Receipting	S	Income Collection	S	Accounts Receivable		Income Collection	S

	AR Recovery	S	Accounts Receivable Recovery and PI	M	Accounts Payable		Accounts Receivable	
	ICT Asset Management	M	Accounts Payable	S	Land Charges	S	Accounts Payable	
	Council Tax Setting and Billing	S	Business Rates Recovery	S	Benefits Overpayment and Recovery	S	Payroll	
	Council Tax Liability	S	Council Tax Recovery	S	Revenue Procurement		Revenue Procurement	S
	Accounts Payable	M	Housing Rent Collection	M	Payroll		Adult Social Care Income Arrangements	
Schools	23 schools in the plan. 21 complete to date. 17 Substantial, 4 Moderate	S	20 schools in the plan, 20 complete to date. 18 substantial, 1 Moderate, 1 Limited	S	19 schools in the plan, 19 complete to date. 12 substantial, 5 moderate, 2 limited	S	13 Schools in the plan, 3 complete to date. 3 substantial	S
Sunderland Care and Support	Risk and Assurance Framework		Compliance with Financial Procedures in establishments	S	Compliance with Financial Procedures in Establishments	S	Compliance with Financial Procedures in Establishments	
	DPO Checks	S	ICT Security within establishments	S	Business Continuity Arrangements	M	Assistive Technologies	
	Unit Costing		DPO Checks	S	DPO Checks	S	DPO Checks	
	Compliance with financial procedures in establishments	S	Workforce planning, resilience and wellbeing		Workforce planning, resilience and wellbeing		Workforce Planning	
	Business Continuity (Telecare)	L			Transport Arrangements	M	Staff Wellbeing	
	Recruitment and DBS Checks	S					Relationship Management	
Together for Children	Troubled Families Grant Claim	S	Troubled Families Grant Claim	S	Troubled Families Grant Claim	S	Health and Safety Arrangements	
	Schools Financial Support Service	S	Staff Wellbeing		Business Continuity Planning	M	Cyber Security	M
	Performance Management - Data Quality	S	Next Steps		Holiday and Activity Fund	L	Holiday Activity Fund	
	Purchase cards	M	Nook Lodge - Compliance with Financial Procedures in Establishments	S	Interrupted Educational Pathways		Interrupted Educational Pathways	
	Achievement of cost savings		Procurement of Independent Providers - Residential	M	National Assessment and Accreditation System Grant Claim	S	Strategic Programme Management	
	Legal services		Counter Fraud	M	GDPR	S	Claremont House	
	Designated Officer	S	National Assessment and Accreditation System Grant Claim	S	Staff Wellbeing	S		
	Liquid logic	M						
Siglion LLP	Governance Arrangements	M	Financial Management	S	GDPR	L	Risk Management Arrangements	
			Contract/relationship management	M	Risk Management Arrangements		Project Management Arrangements	
			Disposal of property	M	Project Management Arrangements			
			Performance management	S				





Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2023/24			
<b>Efficiency and Effectiveness</b>			
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>	<b>Actual Performance</b>
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  2) Percentage of draft reports issued within 15 days of the end of fieldwork  3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report)	1) All key risk areas covered over a 3 year period  2) 90%  3) 85%	1) On target  2) Ahead of target – 100%  3) Ahead of target – 100%
<b>Quality</b>			
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>	<b>Actual Performance</b>
1) To maintain an effective system of Quality Assurance  2) To ensure actions agreed by the service are 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	1) Achieved  2) Significant – on target – 100%  Medium – ahead of target 94% (excluding schools)
<b>Client Satisfaction</b>			
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>	<b>Actual Performance</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 (1=Good and 4=Poor)  2) Results classed as 'Good'  3) No target – actual numbers will be reported	1) On target – 1.0 to date  2) No recent surveys undertaken  0 compliments 0 complaints



# Audit Strategy Memorandum

Sunderland City Council

Year ending 31 March 2023



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- 01** Engagement and responsibilities summary
- 02** Your audit engagement team
- 03** Audit scope, approach and timeline
- 04** Significant risks and other key judgement areas
- 05** Value for money arrangements
- 06** Fees for audit and other services
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- 08** Materiality and misstatements

Appendix A - Key communication points

Appendix B - Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

This document is to be regarded as confidential to Sunderland City Council. It has been prepared for the sole use of Audit and Governance Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit and Governance Committee Members  
Sunderland City Council  
City Hall, Plater Way  
Sunderland  
SR1 3AA

4 September 2023

Dear Members

## **Audit Strategy Memorandum – year ending 31 March 2023**

We are pleased to present our Audit Strategy Memorandum for Sunderland City Council (the Council and Group) for the year ending 31 March 2023. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Sunderland City Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit and explains the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

If we identify any risks or changes to our planned strategy following completion of our planning, we will ensure we communicate these to the Audit and Governance Committee.

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07747 764529.

Yours faithfully



Mark Kirkham  
Mazars LLP

# 01

Section 01:

## **Engagement and responsibilities summary**

# 1. Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of Sunderland City Council (the Council and Group) for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

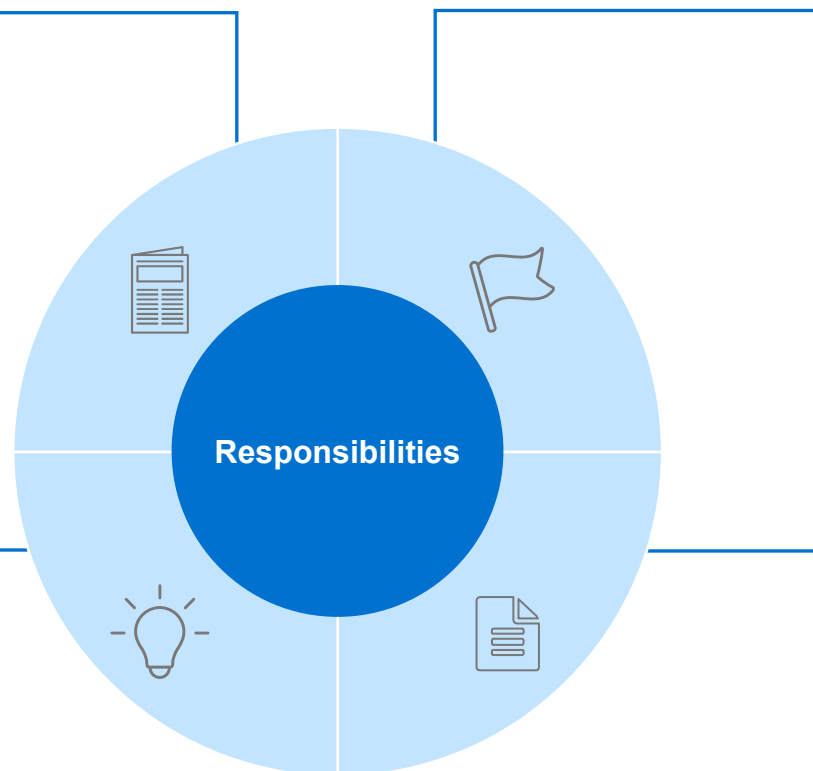
### Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit and Governance Committee, as Those Charged With Governance, of their responsibilities.

The Director of Finance is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements.

### Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach in section 5 of this report.



### Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of Those Charged With Governance, including key management and internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

### Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission. The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

# 02

Section 02:

**Your audit engagement team**



## 2. Your audit engagement team

Your external audit service will be led by Mark Kirkham.

Who	Role	Contact
Mark Kirkham	Engagement Partner	<a href="mailto:mark.kirkham@mazars.co.uk">mark.kirkham@mazars.co.uk</a> 0774 776 4529
Diane Harold	Engagement Manager	<a href="mailto:diane.harold@mazars.co.uk">diane.harold@mazars.co.uk</a> 0797 151 3174
Peter Hawkins	Engagement Team Leader	<a href="mailto:peter.hawkins@mazars.co.uk">peter.hawkins@mazars.co.uk</a> 0758 085 4210



Engagement and responsibilities summary

Your audit engagement team

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Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendices

# 03

Section 03:

**Audit scope, approach and timeline**

# 3. Audit scope, approach and timeline

## Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

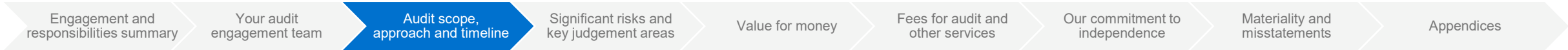
## Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



# 3. Audit scope, approach and timeline

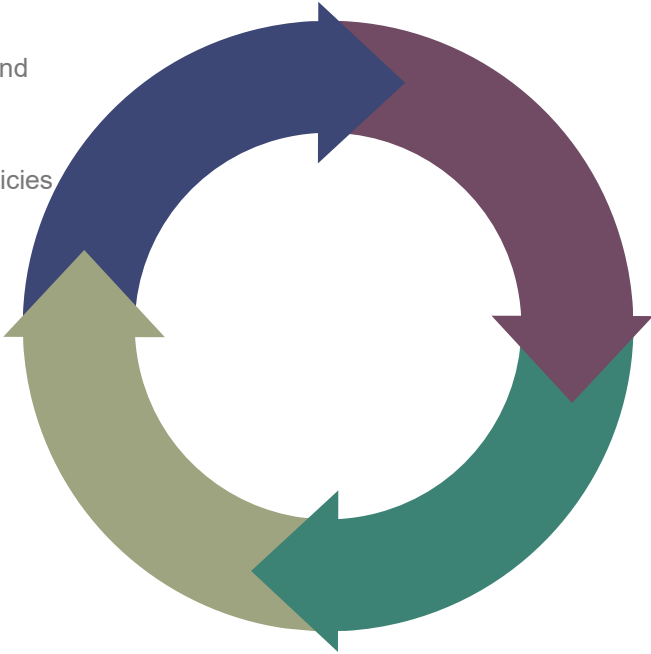
## Planning January-March

- Planning visit and developing our understanding of the Council and Group
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

## Completion October-November\*

- Final review and disclosure checklist of financial statements
- Final review of the financial statements by our technical team (required for larger audits)
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit and Governance Committee
- Reviewing subsequent events
- Signing the auditor’s report

\* Subject to team deployment updates and depending on the timing of assurance from the Pension Fund auditor



## Interim March-April

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Reassessment of audit plan and revision if necessary

## Fieldwork July-October

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

# 3. Audit scope, approach and timeline

## Group audit approach

In line with the requirements of the CIPFA Code of Practice, the Council has considered its interests in other entities and determined that group accounts are required which will consolidate its interests. This section sets out the planned work in respect of those entities which we refer to here as components.

### Group materiality

Our assessment of group materiality is set out in section 8.

### Assessment of components

We assess the significance of the components as part of determining the level of work required. In assessing the significance of components, we consider a range of quantitative and qualitative factors including:

- whether a component exceeds a minimum of 15% of key benchmarks (income, expenditure, assets and liabilities);
- whether any financial statement area (FSA) is greater than 15% of the relevant FSA in the consolidated accounts and greater than performance materiality; and
- whether there are any risks of material misstatement in the components likely to result in material misstatement in the group financial statements.

Our assessment is summarised in the first table in this section overleaf.

### Nature and scope of planned work

The second table in this section sets out the estimated proportion of each component, relative to the overall group, as well as the nature and scope of planned work. Note that these are estimates and we will update our assessment for any significant changes. This work is in addition to our review of group-wide controls and the consolidation process.

### Nature of work

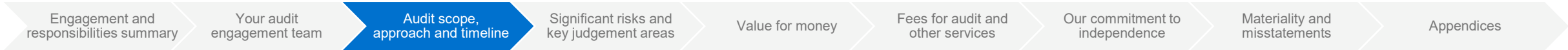
Planned procedures are split into the following categories:

- full scope audit;
- limited or specific review; and
- other audit procedures, including group analytical procedures.

Components being treated as 'significant' and subject to a full scope audit or specific audit procedures are:

- the Council;
- Together for Children (TfC); and
- Sunderland Lifestyle Partnership (SLP - leisure assets).

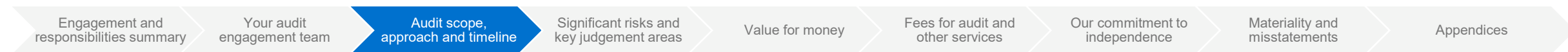
Group analytical procedures will be carried out for the remaining components; the objective of the analytical procedures is to critically corroborate the group engagement team's conclusions that there are no significant risks of material misstatement of the aggregated financial information of components that are not significant components.



### 3. Audit scope, approach and timeline

#### Group audit approach (continued)

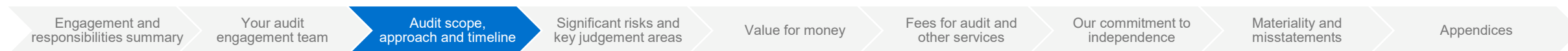
Entity	Nature of component / ownership	Auditor	Significant in terms of benchmarks?	Risks of material misstatement?	Commentary
Sunderland City Council	Parent – local authority.	Mazars LLP	Yes	Yes	Full – ultimate parent.
Together for Children Limited (TfC)	Subsidiary 100% owned by the Council for the provision of children’s services.	Robson Laidler LLP	Yes	No	Significant component. Material transactions and balances; income and expenditure is around the 15% benchmark, therefore, classed as a significant component. Net pensions liability balance upon consolidation is greater than the group headline materiality and is relevant to the significant pensions audit risk already identified.
Sunderland Lifestyle Partnership (SLP)	Joint venture providing leisure services.	RSM LLP	Yes*	No	*Material but not significant component: due to consolidation adjustments resulting in a financial statement area which is greater than 15% of the relevant financial statement area. No assurance required from the component auditor.
Sunderland Care and Support Limited (SCAS)	Subsidiary 100% owned by the Council for the provision of social care, health and support services.	Robson Laidler LLP	No	No	Material transactions and balances; none greater than the benchmarks upon consolidation on a line by line basis.
Siglion LLP – Developments and Investments companies	Subsidiary 100% owned by the Council - development and management of a portfolio of commercial and residential land locally.	Robson Laidler LLP	No	No	Material transactions and balances; none greater than the benchmarks upon consolidation on a line by line basis.
IAMP LLP	Joint venture with South Tyneside Metropolitan Borough Council for the development of an international advanced manufacturing park (IAMP).	Robson Laidler LLP	No	No	No transactions or balances will be greater than the benchmarks upon consolidation on a line by line basis.



### 3. Audit scope, approach and timeline

#### Group audit approach (continued) – using 2022/23 draft financial statements balances and transactions

Component	% of assets	% of liabilities	% of income	% of expenditure	Nature and scope of work
Sunderland City Council	94.6%	91.88%	77.92%	77.32%	Full scope audit
Together for Children Limited (TfC)	1.01%	2.14%	14.04%	15.76%	Full scope audit – reliance on the component auditor
Sunderland Lifestyle Partnership LLP (SLP)	0.08%	0.21%	0.09%	0.11%	Specified audit procedures in respect of the consolidation adjustments
Sunderland Care and Support Limited (SCAS)	0.44%	1.89%	5.09%	5.59%	Group analytical procedures
Siglion LLP – Developments and Investment companies	2.58%	1.12%	2.16%	0.50%	Group analytical procedures
IAMP LLP	1.29%	2.76%	0.70%	0.72%	Group analytical procedures
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	



# 3. Audit scope, approach and timeline

## Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

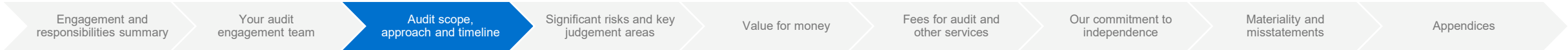
## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. There are no material service organisations to consider for this Council.

## Management’s and our experts

Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit net liability	AON Hewitt (Actuary)	We use the National Audit Office’s (NAO) consulting actuary (PWC) to provide us with assurance over the main assumptions used by your Actuary.
Property, plant and equipment	Internal Valuer	We will take into account relevant information which is available from third parties.  If required, we can engage our own internal valuation expert; this would be dependent on any specific valuation issues arising during the audit.
Financial instrument disclosures	Link Asset Services	We do not typically engage an audit expert to assess the reasonableness for your expert’s financial instrument valuation estimates. Where this is required we will engage our own internal experts.





# 04

Section 04:

**Significant risks and other key judgement areas**

# 4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The audit risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

## Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

## Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

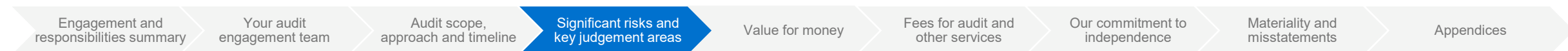
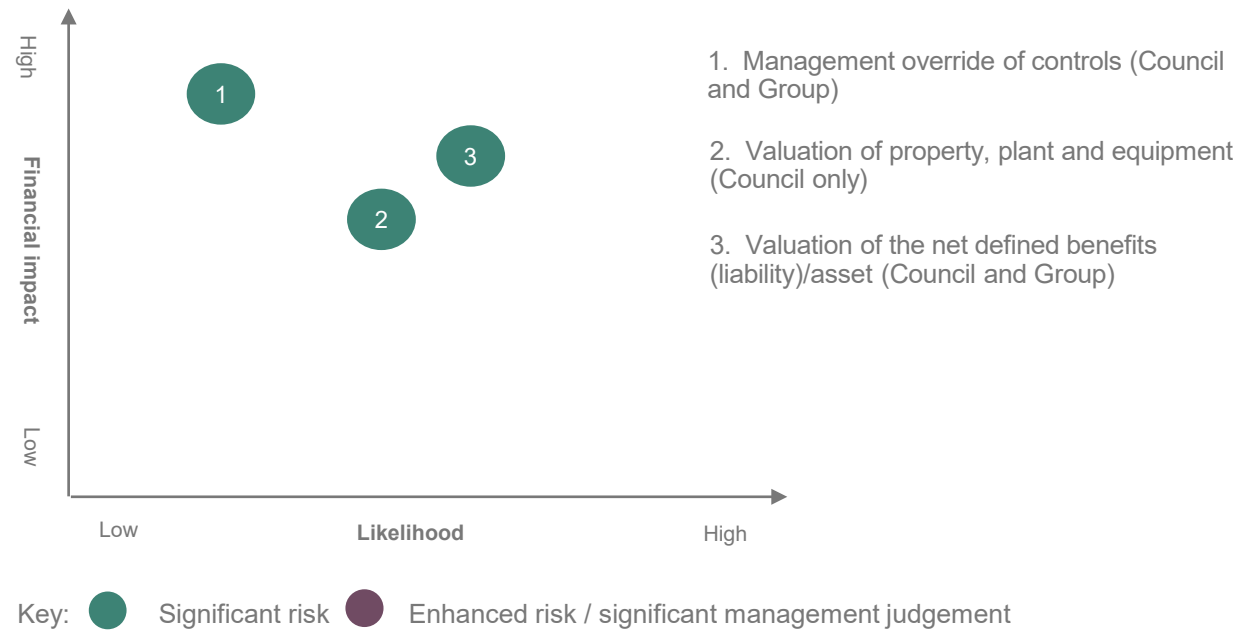
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

## Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

## Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant in respect of the Council and Group. We have summarised our audit response to these risks on the following pages.



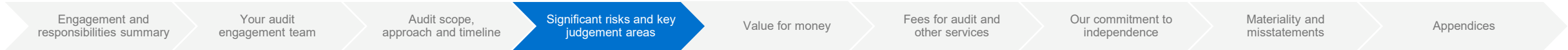
# 4. Significant risks and other key judgement areas

## Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process; should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to Audit and Governance Committee.

## Significant risks

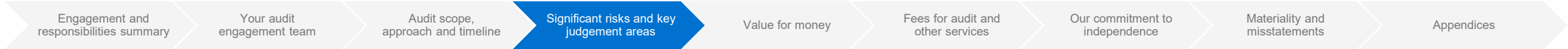
	Description	Fraud	Error	Judgement	Planned response
1	<p><b>Management override of controls</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	<p>We plan to address the management override of controls risk by carrying out audit work on: accounting estimates; journal entries; and significant transactions outside the normal course of business or otherwise unusual.</p>



# 4. Significant risks and other key judgement areas

## Significant risks

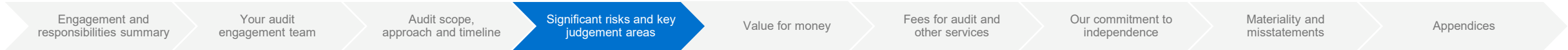
	Description	Fraud	Error	Judgement	Planned response
2	<p><b>Valuation of property, plant and equipment</b></p> <p>The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (including the Council's PFI shared waste facility).</p> <p>The Council employs valuation expert(s) to provide information on valuations, however, there remains a high degree of estimation uncertainty associated with the (re)valuations of property, plant and equipment due to the significant judgements and number of variables involved.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> <li>critically assess the Council's arrangements for ensuring that property, plant and equipment valuations are reasonable and not materially misstated;</li> <li>critically assess the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by Valuer(s), including the PFI shared waste facility;</li> <li>consider the competence, skills and experience of the Valuer(s) and the instructions issued to the Valuer(s);</li> <li>substantively test a sample of revaluations, including critically reviewing the Council's own consideration of assets not revalued in the year and why they are not materially misstated;</li> <li>carry out procedures to gain assurance over the consolidation adjustments for group accounts which impact on property, plant and equipment and associated financial statement areas; and</li> <li>where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate.</li> </ul>



# 4. Significant risks and other key judgement areas

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p><b>Net defined benefit (liability) / asset valuation</b></p> <p>The financial statements contain material pension entries in respect of the retirement benefits.</p> <p>The calculation of the net pensions (liability) / asset, made up of the gross pension assets and gross pension liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> <li>critically evaluate the Council's arrangements for making estimates in relation to pension entries within the financial statements; and</li> <li>challenge the reasonableness of the Actuary's assumptions that underpin the relevant entries made in the financial statements, through the use of an expert commissioned by the National Audit Office;</li> <li>critically assess the competency, objectivity and independence of the Actuary;</li> <li>liaise with the auditors of the Pension Fund to gain assurance that the overall procedures and controls in place at the Pension Fund are operating effectively;</li> <li>review a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets and evaluating whether the outcome of their work would affect our consideration of the Council's share of Pension Fund assets.</li> <li>review the actuarial allocation of Pension Fund assets to the Council by the Actuary, including comparing the Council's share of the assets to other corroborative information.</li> <li>compare assumptions to expected ranges, using information provided by the consulting actuary engaged by the National Audit Office; and</li> <li>critically review the component auditor's work in respect of Together for Children's net pensions (liability) / asset which is consolidated in the group financial statements.</li> </ul>



# 05

Section 05:

**Value for money arrangements**

# 5. Value for money arrangements

## The framework for our work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2022/23 will be the third audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

## Specified reporting criteria

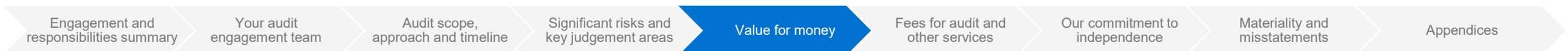
The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

## Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

<b>Planning and risk assessment</b>	<p>Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include:</p> <ul style="list-style-type: none"> <li>NAO guidance and supporting information;</li> <li>information from internal and external sources including regulators;</li> <li>knowledge from previous audits and other audit work undertaken in the year; and</li> <li>interviews and discussions with staff and Members.</li> </ul>
<b>Additional risk based procedures and evaluation</b>	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
<b>Reporting</b>	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none"> <li>significant weaknesses identified and our recommendations for improvement; and</li> <li>emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.</li> </ul>



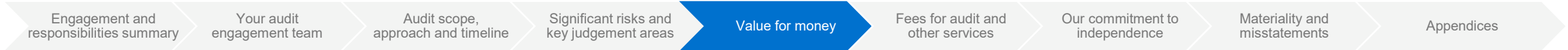
# 5. Value for money

## Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our risk assessment work, work completed to-date has not identified any risks of significant weaknesses in arrangements.

We will report any identified risks to the Audit and Governance Committee, if any arise, as part of our continuous risk assessment.





# 06

Section 06:

**Fees for audit and other services**

## 6. Fees for audit and other services

### Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA.

Area of work	2022/23 proposed fee	2021/22 fee
Code audit work – scale fee	£129,963*	£104,546**

\* The fee above does not include £6,424 inflation adjustment which PSAA is contributing from its surplus.

\*\* The fee shown for 2021/22 represents the scale fee as set by PSAA but does not include any variations for additional work carried out. The final fee for the 2021/22 audit has not yet been agreed as work to complete the audit remains on-going.

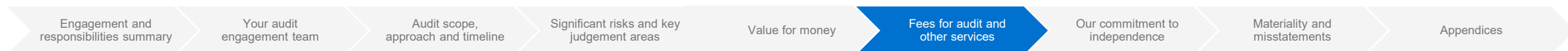
### Fees for non-PSAA work

In addition to the fees outlined on the previous page in relation to our appointment by PSAA, we anticipate being separately engaged by the Council to carry out additional work as set out in the table below.

Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Area of work	2022/23 proposed fee	2021/22 fee
Assurance services: Housing Benefit Subsidy return	£11,000*	£10,850
Assurance services: Teachers' Pension return	£4,750*	£4,500

\* estimated fees



# 07

Section 07:

**Our commitment to independence**

# 7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

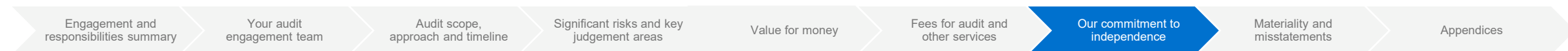
We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Kirkham in the first instance.

Prior to the provision of any non-audit services Mark Kirkham will undertake appropriate procedures

to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report. Principal threats to our independence and identified associated safeguards in relation to the non-audit work listed in section 6 are summarised below.

Area	Perceived threat	Safeguards and procedures
Assurance services: Housing Benefits Subsidy Assurance and Teachers' Pension return (if engaged)	Self Review	No threat identified. Neither engagement results in the auditor providing accounting services to the Council.
	Self interest	No threat identified. The fees for each of the engagements is neither significant to Mazars LLP nor the Council. Safeguards include clear rules set by PSAA which limit additional services an external auditor can provide.
	Management	No threat identified as neither engagement requires the auditor to make decisions on behalf of the Council.
	Advocacy	No threat identified as neither engagement requires the auditor advocating a position on behalf of the Council.
	Familiarity	No threat identified. Safeguards include firm policies and procedures detailed on previous page.
	Intimidation	No threat identified.



# 08

Section 08:

## **Materiality and misstatements**

# 8. Materiality and misstatements

## Summary of initial materiality thresholds

Threshold	Group initial threshold £'000s	Single entity initial threshold £'000s
Overall materiality	16,581	15,976
Performance materiality	13,265	12,781
Specific materiality: senior officers' remuneration (10% of total)	n/a	127
Specific materiality: officers' remuneration 'bandings' table	Correct band £5,000	Correct band £5,000
Specific materiality: exit packages (10% of total)	145	132
Specific materiality: Members' allowances and expenses (10% of total)	n/a	102
Trivial threshold for errors to be reported to the Audit and Governance Committee	497	479

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

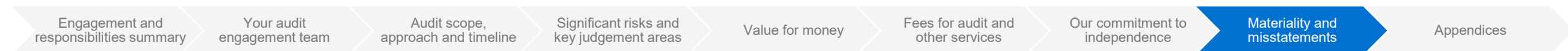
Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors. Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.



# 8. Materiality and misstatements

## Materiality (continued)

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross expenditure at the net cost of services level. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Governance Committee. We consider that the gross expenditure at the net cost of services level remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 2% of the benchmark. Based on the prior year financial statements, we anticipate the overall materiality for the year ending 31 March 2023 to be in the region of £15.976 million for the Council (prior year £15.324 million) and £16.581 million for the Group (prior year £16.172 million).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

## Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

## Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and

Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £0.479 million for the Council and £0.497 million for the Group based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Kirkham.

## Group materiality for components

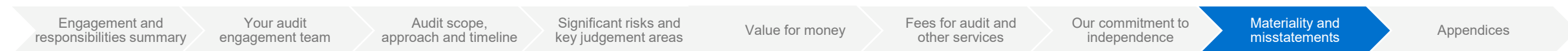
In the context of a group audit, materiality is established for both the group financial statements as a whole and for the financial information of components. Component materiality is determined for those components whose financial information will be audited as part of the group audit.

- **Together for Children (TfC) component materiality:** calculated as £2.878 million (prior year £2.5 million), being 2% of total expenditure. However, where a component is subject to audit itself, use can be made of the component auditor's materiality, as long as it is lower than our calculated component materiality. This is the case for TfC, therefore, we will make use of their auditor's calculation of materiality.
- **Sunderland Lifestyle Partnership component materiality:** as set out in the audit scope section, this component is being treated as a material but not significant component as a result of a material financial statement area for which we will obtain assurance via specific procedures on the accounting consolidation adjustment. Therefore, we do not need to issue group audit instructions to this component or specify component materiality.

## Reporting to the Audit Governance Committee

The following three types of audit differences above the trivial threshold will be presented:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





## Appendix: Key communication points



# Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged With Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

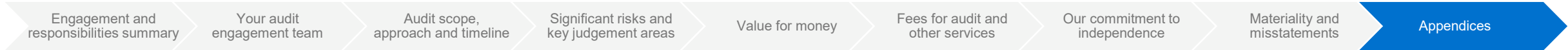
## Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements.
- The planned scope and timing of the audit.
- Significant audit risks and areas of management judgement.

- Our commitment to independence.
- Responsibilities for preventing and detecting errors.
- Materiality and misstatements.
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Audit Completion Report

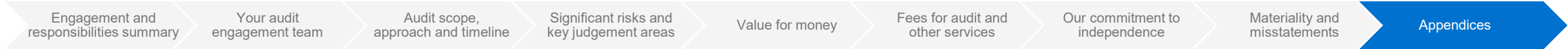
- Significant deficiencies in internal control.
- Significant findings from the audit.
- Significant matters discussed with management.
- Our conclusions on the significant audit risks and areas of management judgement.
- Summary of misstatements.
- Management representation letter.
- Our proposed draft audit report.
- Independence.



# Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged With Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged With Governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> <li>• uncorrected misstatements and their effect on our audit opinion;</li> <li>• the effect of uncorrected misstatements related to prior periods;</li> <li>• a request that any uncorrected misstatement is corrected; and</li> <li>• in writing, corrected misstatements that are significant.</li> </ul>	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> <li>• enquiries of the Audit and Governance Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>• any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>• a discussion of any other matters related to fraud.</li> </ul>	Audit Completion Report and discussion at the Audit and Governance Committee Audit planning and clearance meetings

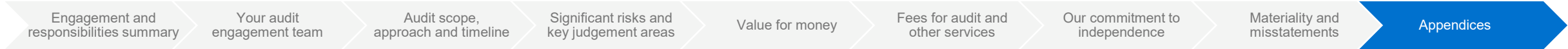


# Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• non-disclosure by management;</li> <li>• inappropriate authorisation and approval of transactions;</li> <li>• disagreement over disclosures;</li> <li>• non-compliance with laws and regulations; and</li> <li>• difficulty in identifying the party that ultimately controls the entity.</li> </ul>	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> <li>• our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• significant difficulties, if any, encountered during the audit;</li> <li>• significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li> <li>• written representations that we are seeking;</li> <li>• expected modifications to the audit report; and</li> <li>• other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit and Governance Committee in the context of fulfilling their responsibilities.</li> </ul>	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>

# Appendix: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of.</p>	<p>Audit Completion Report and Audit and Governance Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• whether the events or conditions constitute a material uncertainty;</li> <li>• whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>• the adequacy of related disclosures in the financial statements.</li> </ul>	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods</p>	<p>Audit Completion Report</p>
<p>Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.</p>	<p>Audit Strategy Memorandum and/or Audit Completion Report as appropriate</p>
<p>Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms.</p>	<p>Audit Strategy Memorandum and/or Audit Completion Report as appropriate</p>
<p>Indication of whether all requested explanations and documents were provided by the entity.</p>	<p>Audit Completion Report</p>



# Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

## Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Council's 2022/23 audit.

The most significant changes relevant to the Council's audit are outlined below.

## Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on inherent risk factors which include:

- subjectivity;
- complexity;
- uncertainty and change; and
- susceptibility to misstatement due to management bias or fraud.

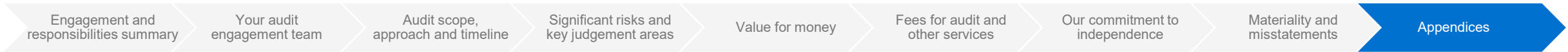
Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

## Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

## Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.



# Mark Kirkham

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.