

AUDIT AND GOVERNANCE COMMITTEE
Friday 26 September 2014

Present:

Mr G N Cook

Councillors Farthing, Forbes and Mr M Knowles.

In Attendance:

Sonia Tognarelli (Head of Financial Resources), Paul Davies (Head of Assurance, Procurement and Projects), Dennis Napier (Assistant Head of Financial Resources), Tracy Davis (Audit, Risk and Assurance Manager), Fiona Brown (Chief Operating Officer, People Services), Beverley Scanlon (Head of Educational Attainment & Lifelong Learning), Mark Kirkham (Mazars), Gavin Barker (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 Speding, N Wright and T Wright.

Minutes

14. RESOLVED that the minutes of the meeting of the Committee held on 27 June 2014 be confirmed and signed by the Chair as a correct record.

The Changing Role of the Local Authority in Improving Educational Outcomes

The Associate Director – Education submitted a report providing an update on the changing role of the local authority in relation to education and the progress made by the Education Leadership Board in developing the Education and Skills Strategy for the city.

Beverley Scanlon, Head of Educational Attainment and Lifelong Learning was in attendance to present the report.

The Education Act 1996 placed a duty on all local authorities “to promote high standards and fulfilment of potential” for everyone up to the age of 20 (25 for those with special needs). Authorities also had statutory responsibilities relating to the provision of services for vulnerable children and children with special educational needs. The Council continued to have responsibility for ensuring that there were sufficient good quality school places available and that there was fair access to these places.

Some responsibilities had shifted from the local authority to schools and academies over recent years. There was not the same planning role for councils and it was now more of a partnership based approach. The direction of travel was to have more academies and free schools with over 30% of the schools in the city currently being classed as such. It was believed that the number of academies and free schools would increase further over the next few months.

Beverley advised that despite the changes to the types of schools in the city, the system acted as a family of schools and the relationship between the Council and the schools remained good. However, some relationships did not reflect schools’ increased autonomy and there was a tendency for officers and members to be overly paternalistic where some schools were still dependent on support from the local authority.

Work has been undertaken to redefine the role of the Council to reflect its Community Leadership role and remaining statutory duties. The following key elements had been identified: -

- Principled leader
- Champion and advocate
- Partnership enabler
- Broker for high quality services
- Intelligence hub
- Planning authority

There were a number of issues to be addressed to provide leadership in this way, including: the local authority’s relationship with schools, the College, University and other learning providers; strategic relationships with DfE, Ofsted, the diocese, academy trusts and governing bodies; internal structures and systems that need to be in place to discharge functions; and mechanisms for enabling Members to help strengthen the local accountability of schools and to share local intelligence. A policy statement on this would be presented to Cabinet later in the year.

The Council had established an Education Leadership Board in 2012 which constituted representatives from early years settings, schools, Sunderland College, the University of Sunderland, the Sunderland Learning Provider Network, local employers and other interested parties. The Board had been tasked with developing an Education and Skills Strategy for the city to sit alongside the Economic Masterplan and the Health and Wellbeing Strategy.

The draft Education and Skills Strategy was currently being finalised and would be based on the three key themes of:

- Ready for school
- Ready for work
- Ready for life

The Education Leadership Board had considered the draft strategy on 15 September and workshops would be set up for schools and businesses to introduce the strategy and its aims. It was expected that the strategy would be launched formally in November 2014 and it was intended that it would be a succinct and focused document with key deliverables.

The Chair referred to the 0-2 year old age group and this being the stage where children were prepared for achievement in school. He asked how this was being addressed and where parents and parenting skills would feature in the strategy.

Beverley Scanlon stated that within People Services, the first area of their plan was “Best Start in Life” and this had a great focus on 0-2 year olds. The city still had children’s centres and there was a significant investment and commitment here for children and families. With regard to the two year old offer, the national Government initiative was about providing education places for disadvantaged two years old. A number of providers were offering this and there had always been a strong pre-school tradition in Sunderland.

Picking up on the theme of disadvantaged children, Councillor Forbes asked about the relationships between agencies working in homes with problems. Beverley highlighted that the “Best Start in Life” terminology came from the Marmot review into health inequalities. Health visitors were working out of children’s centres and there was a clear multi-agency approach being taken in early years. Early intervention services work across early years, drug and alcohol programmes and vulnerable groups. Through the Better Care Fund, these strategies would develop further.

Councillor Farthing commented that nursery schools had been a highlight for Sunderland in the past and asked what was happening on the ground.

The Committee were informed that early years funding was a separate block and had been reviewed this year due to an overspend. The funding formula asks the authority to look at participation so that the funding is pupil led. The major block of funding which was going into nursery schools would be protected but they could lose out on their flexible offer. Nursery schools would have to change their way of working but could extend to offer provision for two year olds and would be protected as much as possible.

Having thanked Beverley for her attendance and the informative report, the Committee: -

15. RESOLVED that the report be noted.

Treasury Management – Second Quarterly Review

The Head of Financial Resources presented a report outlining the Treasury Management performance for the second quarter of 2014/2015. The report also detailed amendments which had been made to the Lending List Criteria, the Approved Lending List and the Risk Management Review of Treasury Management.

The Council's Treasury Management function continued to look at ways of maximising financial savings and increasing investment return to benefit the revenue budget. The Assistant Head of Financial Resources reported that, due to large falls in PWLB borrowing rates in July and August, the Council had taken out borrowing of £20m to support its Capital Programme requirements. This would also help to keep the Council's interest rate on borrowing at its low level and benefit the revenue budget over the longer term. PWLB rates had begun to increase again so the authority had taken advantage of the rates at the low point in both of the dips in the rates.

The average interest rate on borrowing was 3.42%, there had been no major effect on this as a result of taking out the new loan funding and Sunderland remained in the top quartile for the lowest rates of borrowing. There had been no debt rescheduling in 2014/2015 as rates had not been considered sufficiently favourable.

The Treasury Management Prudential Indicators were regularly reviewed and the Council was within the limits set for all of those outlined in 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 rate of return on investments was currently 0.70% but had remained at a very low level although the Council had continued to outperform the benchmarking rate of 0.35%. The Assistant Head of Financial Resources advised that rates were being carefully monitored due to the prospect of a base rate rise early next year and that mainly short term investments were currently being made so that the Council could take full advantage of the expected increase in rates when they occurred.

Members were directed to Appendices B and C which provided updates on the changes to the ratings for financial institutions. It was highlighted that a small number of building societies would be coming back into the Lending List as their credit ratings had improved and these would be reported as part of the next update to the Committee.

Councillor Farthing commented that she was aware that a number of bonds were 'AAA' rated and asked if there was any liaison between the local authorities in Tyne and Wear regarding pension fund advice.

The Assistant Head of Financial Resources advised that the Pension Fund was in the position of having a large amount of resources to invest. The Council looked at everything which was available and if a bond came along with an attractive rate and within the relevant policy guidelines then it would be investigated thoroughly. Expertise was shared between authorities, there were very few specialist advisers in

the country and councils did share and learn from each other. There was also a CIPFA Benchmarking Club for Treasury Management where Authorities shared best practice which the council actively participated.

Upon consideration of the report, the Committee: -

16. RESOLVED that: -

- (i) the Treasury Management performance for the second quarter of 2014/2015 be noted; and
- (ii) the Lending List Criteria at Appendix B, the Approved Lending List at Appendix C and the Risk Management Review of Treasury Management at Appendix D be noted.

Audited Statement of Accounts 2013/2014

The Head of Financial Resources submitted a report presenting the Letter of Representation for 2013/2014, the Audit Completion Report from Mazars LLP concerning the financial statements for 2013/2014 and providing an amended audited Statement of Accounts for 2013/2014.

The Head of Financial Resources reminded Members that they had received and noted the certified Statement of Accounts at their meeting on 27 June 2014. The accounts had now been audited and required approval.

The Statement of Accounts 2013/2014 had been amended to reflect a few minor adjustments and to make presentational changes but there had been no material misstatements. The Committee had been provided with a note summarising the changes to the accounts.

The Head of Financial Resources was required to prepare a Letter of Representation which set out the principles used to prepare the accounts and provided the external auditor with the necessary assurances required by regulation. The Committee were required to note the contents of this letter.

Mark Kirkham, Director and Engagement Lead, Mazars, presented the Audit Completion report and highlighted that this included the proposed audit opinion and the view on the Council's arrangements to secure value for money. The judgements were all very positive and the auditors intended to issue an unqualified opinion.

Mark thanked the Council for both the cooperation and competence of officers who were part of the audit process, highlighting that the external auditors valued this relationship which enabled them to carry out their work effectively.

The Audit Completion Report summarised the conclusions of the audit undertaken by Mazars LLP and Gavin Barker drew Members' attention to the letter which had been tabled which provided updates to the Letter of Representation and a correction to an error in the Unadjusted Misstatements table.

Gavin directed the Committee to the audit findings in relation to significant risks and key areas of management judgement. Mazars had found the assurance they sought in respect of management override of controls, revenue recognition and pension entries. Some amendments had been required to the financial statements to reflect changes to the Council's accounts and those of its subsidiaries but the auditors had confirmed that a good set of group accounts had been produced.

One amendment was made in respect of equal pay settlements and there was a minor misstatement in relation to Property, Plant and Equipment. Gavin echoed Mark's comments about the officers responsible for producing the accounts and the immense amount of work which went into this.

The Committee were informed that none of the adjustments which had been made to the accounts would impact on the Council's underlying financial position. The auditors also intended to issue an unqualified Value for Money conclusion and highlighted that their assessment reflected not only the Council's strong financial position but also the significant challenges being dealt with. Mazars had recognised the authority's good record on delivering savings in the past and its plans for the future.

Mark Kirkham advised that there remained some procedures for Mazars to carry out and there had been an independent partner involved in the audit due to the scale of the Council's accounts. This work was almost complete and would be finalised early in the following week.

Mr Knowles commented that it was good to see a strong set of accounts and also the great cooperation between auditors and the local authority officers. He referred to the risk of material misstatement associated with equal pay settlements and asked if there was any residual risk.

Gavin advised that as far as the auditors were aware, there was no residual risk. Equal pay had been an issue for a number of years but the process of settling claims was almost complete.

Councillor Forbes said that she was pleased to see the additional information on the group accounts as this was important for the public domain. She highlighted that the number of residential and supported living schemes was not consistently reflected within the document and it was confirmed that the correct figure was 21 schemes in total.

Following consideration of the report, it was: -

17. RESOLVED that: -

- (i) the contents of the Letter of Representation be noted;
- (ii) the contents of the Audit Completion Report be noted; and
- (iii) the Amended Audited Statement of Accounts for the financial year ended 31 March 2014 be approved.

Corporate Assurance Map 2013/2014 – Update

The Head of Assurance, Procurement and Projects presented the updated Corporate Assurance Map which had been reviewed based on the work undertaken so far during the year, the Internal Audit opinion on the adequacy of the overall system of internal control and the performance of Internal Audit.

Members were directed to the map itself and were informed that the overall view in relation to Strategic and Corporate risk areas had remained the same. The Head of Assurance, Procurement and Projects reported that assurance work had continued in relation to ICT and the overall assurance level from the Risk and Assurance team had been raised from limited to moderate and had changed from red to amber on the Corporate Assurance Map.

The Committee were informed that there were now three areas which had been marked as red under external assurance as a result of the work that the Council had commissioned in relation to children's safeguarding. The Head of Assurance, Procurement and Projects reported that there had been a fraud perpetrated against the Council in the last week and he would provide a separate briefing in a private session.

The Key Performance Indicators for the Internal Audit Service were outlined at Appendix 4 to the report and the Committee were informed that the performance was on target for all KPIs apart from the current percentage of medium risk recommendations implemented (excluding schools) which now stood at 85% against a target of 90%. The concerns of the Committee had been passed on to the Council's Executive Management Team and the position had improved since the last meeting.

Fiona Brown, Chief Operating Officer, People Services was in attendance to present to the Committee on the independent review of the Children's Safeguarding Service.

Safeguarding had been inspected in 2012 and rated 'good' but following the establishment of the People Services directorate, the Executive Director and the Chair of the Sunderland Safeguarding Children Board had commissioned a two stage review. The first part was an internal review with an external body and the second would be carried out by the LGA Peer Review later in the year.

Three key areas were specified for the review: leadership and culture; partnership working and communication; and effectiveness of practice. The review had found that the number of looked after children and children subject to child protection plans had increased, however this was not unique to Sunderland. Each locality had its own child protection team comprising 12 social work staff including a team manager, senior social worker and a principal social worker. The citywide team at the Multi-Agency Safeguarding Hub (MASH) included social workers, health and police colleagues.

A number of areas were found to be working well including the MASH, the evidence of partnership working and information gathering, however the following had been identified as areas for improvement: -

- Systems and processes
- Early intervention and referral
- Partnership working and effectiveness of practice
- Management oversight and management of risk

Fiona outlined the immediate action and responses to the areas for improvement which had been highlighted by the review. An Improvement Plan had been developed and was being managed by an Improvement Board.

As part of the review a number of assurances had been requested and it had been found that the average social work caseload was 30 and the recommended number was 25-28. A tool had been introduced to monitor workload allocation and to ensure that there were no unallocated children protection cases at the end of each week.

12 vacancies within the service had been filled in the last three months, six social workers had come into the peripatetic team and there was also additional management support.

Councillor Farthing commented that safeguarding was very high profile at the current time due to high profile cases nationally but she had always been of the view that the mechanics of safeguarding in Sunderland were good. She added that safeguarding training in the past had been excellent but she understood that the person who had been responsible for this had left the authority.

Fiona advised that there were two workers in the MASH who had previously been part of the Education Safeguarding team and they would maintain the links. With regard to the consistency of training in schools, the Committee were told that additional training had been agreed for Headteachers as Safeguarding Leads and could potentially be extended to governing bodies. It was acknowledged that safeguarding thresholds could be different in different schools.

Upon consideration of the report, it was: -

18. RESOLVED that the updated Corporate Assurance Map 2014/2015 be noted.

Joint Committee for the North of England Open Air Museum – Audited Annual Return and Accounts 2013/2014

The Head of Financial Resources submitted a report reporting the communications received from the External Auditors concerning the financial statements of the Joint Committee for the North of England Open Air Museum for 2013/2014 and providing the Audited Statement of Accounts and Annual Return for 2013/2014.

The Committee had previously approved the Annual Return for the Joint Committee at the meeting held on 27 June and the BDO LLP (the Joint Committee's external auditors) had now issued an unqualified audit opinion and certificate.

There were no changes required to the Statement of Accounts and Annual Return and the external auditors had not identified any matters to be brought to the attention of Members.

The Assistant Head of Financial Resources highlighted that this was the final set of accounts for the Joint Committee and that all assets and liabilities had now been transferred to Beamish Museum Limited.

19. RESOLVED that: -

- (i) it be noted that the External Auditor BDO LLP had issued an unqualified audited Annual Return; and
- (ii) as Lead Authority, the unadjusted and audited Statement of Accounts for the financial year ended 31 March 2014 be approved.

Other Business

The Chair advised that the Council had recently appointed Alison Fellows to the post of Executive Director of Commercial Development and Andrea Winders to the post of Executive Director of Enterprise Development. He proposed that they be invited to future meeting of the Committee.

20. RESOLVED that the Council's new Executive Directors be invited to attend a future meeting of the Audit and Governance Committee.

(Signed) G N COOK
Chair

