

**AUDIT AND GOVERNANCE COMMITTEE**  
**Friday 28 September 2018**

**Present:**

Mr G N Cook

Councillors O'Neil, Scullion, Stewart, H Trueman P Wood and Mr M Knowles.

**In Attendance:**

Jon Ritchie (Executive Director of Corporate Services), Paul Davies (Head of Assurance, Procurement and Performance Management), Tracy Davis (Assistant Head of Assurance), James Magog (Chief Accountant), Diane Harold (Mazars) and Gillian Kelly (Principal Governance Services Officer)

**Declarations of Interest**

There were no declarations of interest.

**Apologies for Absence**

There were no apologies for absence.

**Minutes**

10. RESOLVED that the minutes of the meeting of the Committee held on 20 July 2018 be confirmed as a correct record.

Jill Colbert, Chief Executive of Together for Children was in attendance at the meeting to provide an update on the current position of the company and how it was responding to the Ofsted inspection of Children's Safeguarding.

Jill observed that the Cumulative Assurance Position for Together for Children was shown as Limited (Red) and she felt that this was a little misleading as this was just in relation to one area of the company's work. She felt that it would be more accurate to say that the Red rating related to Children in Care.

The Ofsted report which had been published in July 2018 had found that the experience and progress of care leavers required improvement, which was an improvement on the judgement made in July 2015 of inadequate. Adoption services had been found to be good, again an improved judgement from inadequate in 2015. However children in need of protection had again been found to be inadequate and

this was a limiting judgement. A rapid piece of work had been commissioned to look at areas of weakness over a 12 week period and this was shortly to be completed.

It was crucial to maintain and monitor improvements and a comprehensive improvement plan was required to be submitted to Ofsted, 70 days after receiving their report. There were 15 recommendations in the plan, with detailed sub-plans to address each of them which had been through a consultation process with staff. There had been a series of consultation events, most recently with the Safeguarding Children Board, and the draft plan would be taken to a meeting with Ofsted the following week before being formally submitted at the beginning of November. The comprehensive improvement plan would be reported to Council, shared with the Children's Scrutiny Committee and a number of other partners.

With regard to future inspections, Jill stated that Ofsted were now operating a new inspection framework and Together for Children had been inspected using the old framework earlier in the year. It was hoped that Ofsted would come back within the next few years to carry out an inspection against the new framework. It was not clear at this stage if any monitoring visits would be conducted; six visits had taken place between the 2015 and 2018 inspections and these had reported significant improvements. It was possible that a focus visit taking place over one or two days could happen during the next year.

Councillor Wood referred to research which was being done into what made Sunderland 'different' in terms of its high numbers of Children Looked After and asked how realistic it was to go from 'inadequate' to 'good' in two to three years.

Jill Colbert highlighted that the journey to 'good' might be five years because children's services had been inadequate prior to 2018. She stated that it was reasonable to expect the service to be 'good' and the message being communicated to all staff was that it would be good. Recruitment of social workers remained a challenge in Sunderland and across the North East.

There were a number of pieces of work underway, sector led improvement had started to be assembled in the North East so that a picture of overall trends in the region could be established. Sunderland was not performing in relation to its equivalent statistical neighbours and it was necessary to understand if there was something different in the city which had led to it being in this situation; this was a prevalent view amongst professional partners.

Councillor Trueman asked if there were still links to the original commissioner for the company and Jill advised that Nick Whitfield, the DfE Commissioner had been retained for a year, however the commissioner in the local sense was the Council.

Mr Knowles expressed concern that it was the most vulnerable children, those in need of protection, who were receiving an 'inadequate' service and queried how the Committee could be assured that the 15 recommendations in the improvement plan were being acted upon. The Chair added that the Committee had a wide brief to look at all areas of the Council and its ancillary companies and asked Jill if she was content that Together for Children would get to where it needed to be.

Jill stated that she was relentlessly optimistic that they would get there and the process would be managed through an overall action plan. There had been some

concerns about initial referrals and contacts as Sunderland received 400% more than its statistical neighbours. The company had been working on the demand issue and had reduced this. It was necessary to sustain improvement and as Together for Children got better at managing referrals and partners at knowing the core business, there would be more time to work with the most vulnerable families.

Regarding the monitoring of the improvement plan, Jill advised that it was a very operational document, however at the end of the 70 day period there would be a milestone plan sitting behind it which would comprise a series of indicators to track the impact, and these would be presented to the Sunderland Safeguarding Children Board, the Together for Children Board and the Council.

Councillor Trueman noted that there had been a suggestion that Sunderland was over cautious in dealing with referrals to children's safeguarding and this was one of the reasons why the numbers of children in care were comparatively high. He was pleased to see that this was being looked into and also acknowledged that the Police were reporting that Sunderland had more complex safeguarding cases than other localities.

Jill commented that there was an issue around being risk averse and that it was an expectation that the state would intervene with all issues, meaning that more children were brought into the system than needed to be. Together for Children was trying to prove some of these hypotheses but also ensuring that they were doing better for young people and their families.

The Committee thanked Jill for her attendance and summary of the current position.

### **Risk and Assurance Map – Update 2018/2019**

The Head of Assurance, Procurement and Performance Management presented the updated Risk and Assurance Map which enabled the Committee to consider the updated Strategic and Corporate Risk Profiles which had been reviewed based on assurances gathered from a range of sources and work undertaken by the audit, risk and assurance service during the year and the performance of Internal Audit.

The Head of Assurance, Procurement and Performance Management directed Members to the Risk and Assurance Map and highlighted that there had been a number of changes since the last report to the Committee. There had been changes to the risk scores and descriptions for some of the risks within the Strategic Risk profile and there had been an additional risk added which was described as 'Reduced trust in public protection' and this had been given a risk score of 12 (Red).

There had now been sufficient work undertaken in relation to Health to Safety to enable an Amber rating to be given by Risk and Assurance and through management assurance. There was still further work to be done in relation to this.

The Risk and Assurance Map showed the position in relation to the companies which were wholly owned by the Council and were part of the group for the financial statements. There had been a planned audit of Sunderland Homes Limited as there was no current assurance position, however the projects being undertaken by the company had not gone ahead and the focus and operation of the company was to be

changed. Once there were new arrangements in place then an audit would be carried out.

The Committee had previously been made aware that of an audit of Adult Social Care – Personal Budgets which found Limited assurance and had resulted in 45 actions being agreed to improve the position. Progress had been slower than hoped due to a number of the actions requiring more work than originally envisaged. There were 18 agreed actions which had been fully implemented, seven which were partially implemented and 20 where action was being taken but required more time.

Internal Audit was on target for all KPIs apart from the implementation of medium risk recommendations which stood at 87% against a target of 90%. The Head of Assurance, Procurement and Performance Management advised that Internal Audit was required to be subject to an external review every five years to ensure that it was operating in line with the Public Sector Internal Audit Standards. Mazars had been commissioned to carry out the review, which was scheduled for the end of October. It was also highlighted that the Internal Audit Charter had been updated and was attached to the report as Appendix 6.

Accordingly, the Committee: -

11. RESOLVED that: -

- (i) the updated Risk and Assurance Map 2018/2019 be noted; and
- (ii) the updated Internal Audit Charter at Appendix 6 be approved.

### **Treasury Management – Second Quarterly Review 2018/2019**

The Executive Director of Corporate Services submitted a report presenting the Treasury Management performance to date for the second quarter of 2018/2019, setting out the Lending List Criteria and Approved Lending List and the Risk Management Review of Treasury Management.

The Council's Treasury Management function continued to look at ways to maximise financial savings and increase investment return to the revenue budget. The Committee were advised that PWLB rates continued to be volatile, therefore no new borrowing had been taken out to date in 2018/2019 but the position continued to be monitored closely.

The Council's interest rate on borrowing was low, currently 3.21%, and the authority benefitted from this lower cost of borrowing and also from ongoing savings from past debt rescheduling exercises. The rate of return on investments was 0.91% compared with a benchmark of 0.41%.

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. The annual risk management review of Treasury Management had taken place and was attached as Appendix D

12. RESOLVED that: -

- (i) the Treasury Management performance for the second quarter of 2018/2019 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.

### **Annual Audit Letter**

The Executive Director of Corporate Services submitted a report detailing the external auditors' Annual Audit Letter covering the year 2017/2018.

The Annual Audit Letter was positive overall and its key findings were: -

- The financial statements give a true and fair view of the Council and the Group's financial position as at 31 March 2018.
- The financial statements had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018.
- All other information in the Statement of Accounts was consistent with the audited financial statements.
- That the Council's Whole of Government Accounts Assurance Statement was completed by 31 August 2018 in line with requirements.
- That the auditors did not use powers under s24 of the 2014 Act to issue a report in the public interest.

The Committee were introduced to Diane Harold, Senior Manager at Mazars who would be the Engagement Manager working with Sunderland City Council in the future. Diane stated that she was pleased to present a positive Annual Audit Letter which summarised the findings of the Audit Completion Report. Mazars had issued an unqualified audit opinion in relation to the financial statements and an 'except for' qualification had been made in relation to Value for Money due to Ofsted's 'inadequate' assessment of children's safeguarding services.

The fee for the audit work was set out within the Letter and the final fee of £135,774 was the same as that proposed in the Audit Strategy Memorandum. The report concluded with a forward look which considered the financial outlook, operational and strategic challenges and how the external auditors would work with the Council for the 2018/2019 audit.

Mr Knowles commented that the Annual Audit Letter showed positive results for the Council and its staff in challenging circumstances. Councillor Trueman echoed the comments and praised the consistency of the Council's financial performance in difficult times, offering his thanks to the staff in the service area who had achieved these results.

Upon consideration of the report, the Committee: -

13. RESOLVED that the contents of the Annual Audit Letter be noted.

### **External Auditor Progress Report**

Mazars, the Council's external auditors, had submitted their regular Audit Progress Report covering the period up to September 2018.

Diane Harold highlighted that the report set out the timeframe for work for the forthcoming year and highlighted that the Audit Strategy Memorandum would be presented to the Committee following completion of the initial planning and risk assessment.

The report highlighted the publication and update of the following documents: -

- Financial sustainability of police authorities, NAO, September 2018
- Financial sustainability of local authorities, NAO, March 2018
- Health and Social Care Interface, NAO, July 2018
- Adult social care at a glance, NAO, July 2018
- Rolling out Universal Credit, NAO, June 2018
- Survival guide to challenging costs in major projects, NAO, June 2018
- Transformation guidance for Audit Committees, NAO, May 2018
- Mazars Annual Regulatory and Compliance Report 2017/2018, PSAA, July 2018
- Oversight of audit quality, quarterly compliance reports, PSAA
- Local Audit Quality Forum, PSAA, April 2018
- Speeding up delivery: learning from councils enabling timely build-out of high quality housing, LGA, August 2018
- Sector-led improvement in 2016/2017, LGA, July 2018
- Clinical Commissioning Groups annual assessment 2017/2018, NHSE, July 2018

Members' attention was drawn to the Public Sector Audit Appointments Limited performance monitoring of audit firms and that Mazars had been rated as Green overall in 2018. It had also received a Green rating in 2017, 2016 and 2015.

Accordingly the Committee: -

14. RESOLVED that the Audit Progress Report be noted.

(Signed) G N COOK  
Chair