

**AUDIT AND GOVERNANCE COMMITTEE**  
**Friday 25 April 2025**

**Present:**

Mr G N Cook in the Chair

Councillors Crosby, Hartnack and Smith

**In Attendance:**

Paul Wilson (Director of Finance), Paul Davies (Assistant Director of Assurance and Procurement), Lisa Armstrong (Finance Manager), Tracy Davis (Senior Manager – Assurance) Diane Harold (Forvis Mazars), Mark Kirkham (Forvis Mazars) and Karen Mould (Principal Democratic Services Officer).

**Declarations of Interest**

There were no declarations of interest.

**Apologies for Absence**

Apologies for absence were received from Councillors Snowdon, Trueman and Mr M Knowles.

**Minutes**

29. RESOLVED that the minutes of the meeting of the Committee held on 7 February 2024 be confirmed as a correct record.

**Internal Audit Annual Report 2024/25**

The Assistant Director of Assurance and Procurement submitted a report requesting the Committee consider: the areas of work undertaken by Internal Audit during 2024/25; the internal audit annual opinion for the Council and its wholly owned companies for 2024/25; performance of Internal Audit and Progress in implementing the action plan from the external assessment of March 2024.

The Committee had approved the Risk and Assurance Map and proposed plan of work for Internal Audit for 2024/2025 in April 2024. The Internal Audit annual opinion was required as part of the Council's annual review of its governance arrangements leading to the production of the Annual Governance Statement which covered the Council and its wholly owned companies.

The Committee were advised that one of the Internal Audit team had left the employment of the Council during the year and the post had been deleted to secure a financial saving. A small number of audits, where appropriate, had been carried forward into 2025/2026. In addition, a further 14 unplanned audits had been completed. All KPIs were on target.

The report also set out the audits undertaken during the year which included anti-fraud and corruption testing. Whilst there were no significant issues highlighted there were some opportunities identified for improvements to the control environment.

As a result of the assessment against the Public Sector Internal Audit Standards in March 2024 an action plan was prepared as attached at Appendix 3. Only one action remained which was in relation to the preparation of Internal Audit Charters for all clients. The Global Internal Audit Standards provided guidance on the format for Internal Audit Charters, therefore, once the self-assessment was complete the new Charters would be developed.

Councillor Hartnack enquired about Caldicott Requirements. The Senior Manager Assurance advised that there were Caldicott principles which applied to the use of confidential information within health and social care environments regarding children or vulnerable people. She went on to explain that the role was undertaken by officers of the Council who were obliged to follow particular processes.

Councillor Crosby asked about Contract Management Sandhill Centre once the PFI contract ended. The Director of Finance advised that following the previous academisation of the school that the assets would now transfer to the academy on expiry of the PFI contract. The Council / Together for Children would have the option to be able to continue to utilise the buildings which they currently occupy. As with other school assets the use of those assets e.g. for community use would be determined by the academy.

The results of the work undertaken had not highlighted any issues which affected the overall opinion that the Council and its wholly owned companies continued to have in place an effective system of internal control.

30. RESOLVED that the report be noted.

### **Annual Governance Review/Annual Governance Statement 2024/2025**

The Director of Finance submitted a report providing details of the 2024/2025 Annual Governance Review, the Risk and Assurance Map at the end of the year and the Internal Audit opinion on the adequacy of the overall system of internal control. The draft Annual Governance Statement for 2024/2025 was included.

The Committee had approved the Risk and Assurance Map for 2024/2025 in April 2024, together with the plans of work for the Internal Audit and the Risk and Assurance teams. These plans covered the Council and its wholly owned companies.

The Local Code of Corporate Governance is reviewed annually to ensure that it is up to date and effective and the annual review had not highlighted any required amendments: the current version of the Code remained relevant. The Council was also required to publish an Annual Governance Statement (AGS) with its Statement of Accounts which would be supported by a comprehensive assurance gathering process.

The Annual Governance Review had considered assurance provided from Assistant Directors, Executive Directors and Directors, specialist functions, the Risk and Assurance function, Internal and External Audit and other external agencies. These assurances were shown in the Risk and Assurance Map which had all elements marked as Green or Amber.

The Committee was advised that the effectiveness of the internal audit service was measured by an external quality assessment against the Public Sector Internal Audit Standards. The last assessment was conducted in March 2024 which judged the service to be fully compliant. From April 2025 a new set of standards, Global Internal Audit Standards, would come into force and a self-assessment was being undertaken to establish compliance with these standards. The assessment of March 2024 was however still applicable until the next assessment due in 2029.

The Annual Governance Statement had been drafted taking into account the findings of the Annual Governance Review and was attached as appendix 2 to the report.

The opinion of the Head of Internal Audit had been reported to the Committee throughout the year and the opinion continued to be that the Council had an adequate system of internal control.

Having considered the report, it was: -

31. RESOLVED that: -

- (i) the report and Risk and Assurance Map at Appendix 1 be noted; and
- (ii) the draft Annual Governance Statement at Appendix 2 be agreed.

### **Risk and Assurance Map – Update 2025/2026**

The Assistant Director of Assurance and Property Services submitted a report which asked the Committee to consider: -

- the proposed Risk and Assurance Map and the supporting plans of work for the Internal Audit and Risk and Assurance for 2025/2026; and
- Internal Audit's key performance measures and targets for 2025/2026.

The report presented the Risk and Assurance Map for 2025/26 and set out where assurance would be obtained from, including the plans of work for Internal Audit and Risk and Assurance, and the performance measures for Internal Audit. Regular update reports would continue to be provided to Members throughout the year.

The planned Internal audit work would include the following: -

- Transition from Children's Services to Adulthood.
- Adult Social Care Assessment.
- Delivery of Future Council Actions.
- Corporate Partnership Arrangements.
- Council Tax Support Scheme.
- Corporate Performance Management Arrangements.
- Implementation of New Procurement Regulations.
- Property Acquisitions and Disposals.
- Contract Management.
- Audits of maintained schools are scheduled over a three-year cycle.
- Completion of audit certificates where grant funders require verification that monies have been spent in line with grant conditions.
- A range of audits of the Council's financial systems will be undertaken in line with an agreed 5 year rolling plan.
- Each of the Council's companies has their own audit plan, the results of which feed into the Risk and Assurance Map.

The Assistant Director of Assurance and Procurement drew Members' attention to the Principal Auditor position that had not been filled and that, as a result, it was considered that the resource position was now at the minimum to meet the function's role. In order to ensure sufficient work was undertaken to continue to be able to provide an opinion on the system of internal control, the audit planning arrangements/provisions had been changed. From 2025/2026, no provision for unplanned audits had been set and the priority of any unplanned work required would be considered against the agreed audit plan. If the unplanned work was agreed by the Head of Internal Audit to be of a higher priority than any audits included within the agreed audit plan then a planned audit would be replaced and would be considered as a variation to the audit plan for performance reporting purposes. The Committee would be advised of any changes.

The Key Performance Indicators would remain the same and progress reports would be presented to the Committee during the year.

Councillor Smith asked about the number of unplanned audits and was advised that unplanned work was usually around grant certification and whilst time was not specifically set aside, any emerging issues would be considered for delivery against the audit plan.

32. RESOLVED that the report be noted.

## **Forward Plan of Reports for 2025/2026**

The Director of Finance submitted a report presenting the proposed Forward Plan of reports for 2025/2026 for consideration and comment.

Members were advised that this was an annual report setting out the reports which would allow the Committee to fulfil its role throughout the municipal year. It was noted that the dates were subject to Council approval.

33. RESOLVED that the proposed Forward Plan of reports be agreed.

## **Member Training and Development**

The Director of Finance submitted a report providing the Committee with the opportunity to identify areas for which they required any further training/refresher/awareness sessions to be arranged.

It was proposed that a briefing session on the Statement of Accounts be held in July and a session on Treasury Management be delivered by the Council's Treasury Management Advisors via Teams in October. Any new Members appointed to the Committee at the Annual Meeting of the Council would also be offered an induction session. The Committee noted that an assessment of whether any specific awareness/training would be needed in view of the new Global Internal Audit Standards would be undertaken.

Councillor Hartnack enquired on training that had previously been delivered. The Assistant Director of Assurance and Procurement provided an overview of the training that had been offered. He added that the Chair / the Committee could request training on specific areas if required. The Chair asked Members to let him know of any training they were interested in.

34. RESOLVED that: -

- (i) it be agreed to receive a briefing session regarding the 2024/2025 Statement of Accounts;
- (ii) it be agreed to receive a training session regarding Treasury Management; and
- (iii) further areas for training/awareness sessions be suggested.

## **Auditor's Annual Report 2023/24**

Forvis Mazars, the Council's external auditors, submitted the report detailing the external auditor's (Forvis Mazars) Annual Report (AAR) covering the year to 31 March 2024.

The AAR summarised the findings of the 2023/2024 audit and the key findings from the work were: -

- The financial statements gave a true and fair view of the Council and the Group's financial positions as at 31 March 2024 and an unqualified audit opinion was issued;
- The financial statements had been prepared in accordance with the Code of Practice on Local Authority Accounting;
- There were no significant deficiencies in internal control;
- That the auditors did not use powers under the 2014 Act to issue a report in the public interest or to make written recommendations to the Council; and
- The audit assessment on the Council's arrangements to ensure Value for Money concluded with no significant areas of weakness identified.

Diane Harold, Forvis Mazars, was in attendance to talk to the report and in doing so stated that the Audit Report had been issued on 5 February 2025. She explained that as the National Audit Office were yet to confirm which councils would form part of their Whole of Government Accounts (WGA) assurance work, the audit certificate which would formally close the audit for 2023/2024 financial year, would not be issued until this was confirmed / any work completed. Members noted that the report provided a summary of the year, a narrative on Value for Money and would be published on the Council's Website. She concluded that it was a very positive report which acknowledged significant pressures to ensure financial stability.

Councillor Crosby asked about the net pensions liability for Together for Children (TfC) and whether this was a concern. Diane replied this was not a concern as the consolidated pensions net asset/(liability) for the Council and TfC and Sunderland Care and Support (SCAS) had been critically reviewed and management challenged in respect of variances. Both SCC and SCAS had net pension assets, whereas there was a net pensions liability for TfC because of TfC having a different membership profile.

The Director of Finance advised that the next triennial valuation was underway and it was anticipated that all three entities (the Council, TfC and SCAS) would have an overall surplus i.e. assets were greater than forecast liabilities. Updated valuation information would be included within the 2024/2025 statement of accounts and again it was envisaged that all three entities would have a surplus pension funding position.

Councillor Hartnack enquired why TfC remained in deficit while SCC and SCAS did not and how a deficit would impact on a pension. Diane replied that the deficit was due to differences in the membership profile taking into account the various assumptions used by the pension fund actuary. The Director of Finance advised that the surplus or deficit position has no bearing on the pension benefits which members are due.

The Chair was pleased to note the positive report and thanked the external auditors and the finance teams for their contribution to this excellent outcome.

It was therefore: -

35. RESOLVED that progress report be noted.

## **Audit Strategy Memorandum 2024/25**

The Council's external auditors, Forvis Mazars, submitted their Audit Strategy Memorandum for the year ending 31 March 2025.

Diane Harold, Forvis Mazars presented the Audit Strategy Memorandum and in doing so highlighted that the document set out the detail of the audit scope, approach and timeline for completion. It was hoped that it would be submitted to the Committee at the meeting in November however this depended upon the receipt and consideration of the Pension Fund auditor assurance.

Diane Harold provided an overview of the group audit approach and drew Members' attention to the nature and extend of audit work planned on the consolidated components as set out in the report.

Diane Harold, Mazars advised that the summary risk assessment had identified the following significant risks: -

- Management override of controls;
- Valuation of property, plant and equipment and investment properties;
- Valuation of the Pensions net defined benefit asset/(liability); and
- Lease liabilities including PFI arrangements.

For the Value for Money assessment there had been no risk of significant weaknesses identified.

Forvis Mazars were not proposing any divergence from the scale audit fees set by PSAA, however this was subject to any recurring fee increases in relation to the additional work including Housing Benefits' Subsidy return and Teachers' Pensions return.

The Chair noted that this was an important document.

Following consideration of the report, it was: -

36. RESOLVED that report be noted.

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

37. RESOLVED that the following schedule of meetings be noted subject to Council approval:

Friday 18 July 2025 at 1.30pm  
Friday 10 October 2025 at 1.30pm  
Friday 28 November 2025 at 1.30pm  
Friday 6 February 2026 at 1.30pm  
Friday 24 April 2026 at 1.30pm

(Signed) G N COOK  
Chair

