

AUDIT AND GOVERNANCE COMMITTEE

AGENDA

Meeting to be held in the Civic Centre (Committee Room No. 1) on Friday 14 December 2018 at 1.30pm

ITEM	PAGE
1. Receipt of Declarations of Interest (if any)	
2. Apologies	
3. Minutes of the Meeting of the Committee held on 28 September 2018 (Copy attached.)	1
4. Risk and Assurance Map Update – 2018/2019 Report of the Head of Assurance, Procurement and Performance Management (copy attached).	7
5. Risk and Assurance Map Consultation 2019/2020 Report of the Head of Assurance, Procurement and Performance Management (copy attached).	37
6. Review of the Remit and Effectiveness of the Committee Joint report of the Chair and the Executive Director of Corporate Services (copy attached).	39
7. Treasury Management – Third Quarterly Review 2018/2019 Report of the Executive Director of Corporate Services (copy attached).	53

For further information and assistance, please contact:

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8. **External Auditor Progress Report**

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Report of Mazars LLP (copy attached).

ELAINE WAUGH
Head of Law and Governance

Civic Centre
Sunderland

6 December 2018

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

AUDIT AND GOVERNANCE COMMITTEE

14 December 2018

RISK AND ASSURANCE MAP UPDATE – 2018/19

Report of the Head of Assurance, Procurement and Performance Management

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; 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 March 2018 the Committee approved the proposed Risk and Assurance Map for 2018/19 and the plans of work for Internal Audit and Risk & Assurance. These plans of work are directly derived from the Strategic and Corporate Risk Profiles which are updated as appropriate and in line with changes to the Corporate Delivery Plan.

4. Risk and Assurance Map

4.1 The current Risk and Assurance Map is attached at Appendix 1. The cumulative risk scores and assurance position are updated on a quarterly basis with the relevant senior officers. The 'X's in the assurance columns show where assurance is expected to be received from.

4.2 The only change from the previous quarter's report is that the risk in relation to the strategic risk area 'Leading Place Shaping' was closed (as agreed by the Chief Officers Group and the Audit and Governance Committee), therefore this risk has been removed from the Strategic Risk Profile and 'Leading Place Shaping' has been removed from the Risk and Assurance

Map.

- 4.3 Due to the results of the latest OFSTED report on Children's Services the overall assurance rating in relation to the strategic risk area Protecting Vulnerable Children remains Red. In relation to Together for Children Limited, the assurance provided by financial resources remains red. Although the arrangements in relation to financial management within the company have improved there remains limited assurance in relation to the health of the revenue budget and the ability for the company to respond to financial pressures. This, along with the OFSTED report, results in the overall assurance in relation to Together for Children Limited being red.
- 4.4 Members will note that the format of the Strategic and Corporate Risk Profiles, at Appendix 2 and 3 respectively are shown in a slightly different format to those previously presented. This is due to the risk profiles being held in a new software system which allows the risk reports to be generated automatically.

Strategic Risk Areas

- 4.5 The top section of the Map relates to the strategic risks identified in the Strategic Risk Profile. The changes to the Strategic Risk Profile since the last meeting are as follows:
- The risk score for R004 (*"The Local Plan produced by the Council is not accepted by the Planning Inspectorate"*) has increased from 6 to 9. This is due to there still being an outstanding challenge to the Local Plan which is unlikely to be resolved by the date the Plan should be submitted.
 - The risk score for R007 (*"Failure to attract investment to support regeneration of the City Centre"*) has reduced from 12 to 8 due to additional activity in relation to developing the city centre and attracting bid funding. An additional mitigating action has been added in this regard.
 - The risk score for R010 (*"Opportunities are not taken to regenerate the coast in a timely manner or development is restricted by lack of resources"*) has increased from 9 to 12 due to plans in relation to Seaburn being put on hold.
 - The risk score for R013 (*"The Council is not able to fulfil its statutory responsibility and/or achieve desired outcomes for Children and young people"*) has reduced from 12 to 9. This is the result of improved collaborative working between the Council and Together for Children Ltd. and a better understanding of the work that is being undertaken to support children and young people.
 - Additional mitigating actions have been added to the following risks to reflect activity being undertaken:

- R001 - *Councils contribution to the 3,6,9 Vision fails to deliver the required outcomes.*

Action: Consultants appointed to develop Sunderland City Centre Strategy and Investment Plan. This will combine with the Local Industry Strategy to provide a 15-20 year vision, replacing the 3,6,9 plan.

- R002 - *The creation of a new North of Tyne Combined Authority, could adversely impact on Sunderland's future economic growth and connectivity prospects.*

Action: Continue to be an active member of NECA and contribute to the regional approach to transport.

- R003 - *Local workforce does not have the required skills to take advantage of the growing North East economy.*

Action: Skills Strategy to form part of the Local Industry Strategy with a heavy digital bias.

- R007 - *Failure to attract investment to support regeneration of the City Centre*

Action: Consultants appointed to develop Sunderland City Centre Strategy and Investment Plan New Civic Centre to be developed on Vaux site.

Corporate Risk Areas

- 4.6 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. There are no changes to highlight regarding corporate risk areas since the last report.

Council Owned Companies

- 4.7 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.
- 4.8 Assurance from Financial Resources in relation to the financial management position within Together for Children Ltd remains Limited (Red). Due to the latest OFSTED report, external assurance in relation to the Company is also Limited (Red).

Assurance from Internal Audit

- 4.9 The audits to be carried out this year and the detailed results of completed Internal Audit work are shown at Appendix 4, with the summary outcomes shown on the Map. Appendix 4 shows all of the opinions, including those

from previous years, which have been considered in determining the overall assurance level. Those audits shown in grey are those in previous years where it became not appropriate to complete the audit at that time.

- 4.10 Work is ongoing within the People Services Directorates in relation to implementing the outstanding recommendations in relation to the audit of Adult Social Care – Personal Budgets. An update will be provided to the next Committee.

Assurance from Risk and Assurance Team

- 4.11 Areas that the Risk and Assurance Team are currently involved in are shown below. Much of their work is ongoing over a period of time, however, where ongoing assurance can be provided from their work this is shown on the Map. Assurance work within the last quarter has included:

- Major capital schemes such as the development stage of the SSTC Phase 3, the International Advanced Manufacturing Park, and existing enterprise zones.
- Corporate projects, including the introduction of Office 365 and the move to Cloud technology, SAP self-service arrangements for HR and procurement activities and the new Civic Centre.
- Corporate Health and Safety Arrangements.
- Risks in relation to Brexit.
- National Fraud Initiative data matching exercise.
- Arrangements in relation to anti-money laundering.
- Support in delivering the Improvement Plan arising from the Independent Review of Land and Property Disposal and Acquisition.

Assurance from others within the Council

- 4.12 Assurance provided from others within the Council is shown in the Risk and Assurance Map. There are no changes since the last report.

Assurance from Management

- 4.13 Arrangements are in place to obtain assurance from all service areas within the Council. These assurances are about to be revisited as part of the annual review of governance arrangements.

Assurance from External Sources

- 4.14 The Map includes assurance from relevant external sources. There are no changes since the last report.

Overall

- 4.15 The overall assurance levels are either green or amber, with the exception of the Red ratings relating to Children's Safeguarding.

- 4.16 The Risk and Assurance Map was recently considered by officers of the Chief Officer Group and the issues raised above highlighted.

5. Internal Audit Performance

- 5.1 The performance in relation to targets set for Internal Audit is shown at Appendix 5.
- 5.2 Performance is on target for all KPI's apart from the percentage implementation rate for agreed actions. The implementation rate for significant risk agreed actions is currently 92% against a target of 100%. This is in relation to a follow up of the audit of Adults Social Care - Personal Budgets. The implementation rate for medium risk agreed actions is as follows:

Area	Implementation Rate
Council services	88%
Schools	82%

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

December 2018

Strategic and Corporate Risk Areas		
	Current Risk Score	Cumulative Assurance Position
Strategic Risk Areas		
Growing the Economy	Yellow	Green
Promoting Better Living & Working	Yellow	Green
Maximising the Cultural Offer	Green	Green
Improving Education and Skills	Red	Green
Improving Health and Wellbeing	Red	Yellow
Protecting Vulnerable Children	Red	Red
Protecting Vulnerable Adults	Yellow	Yellow
Building Resilient Communities	Yellow	Yellow
Corporate Risk Areas		
Commissioning	Yellow	Yellow
Strategic Planning	Yellow	Green
Service/Business Planning	Yellow	Green
Service Delivery Arrangements	Yellow	Yellow
Performance Management	Yellow	Green
Partnership/Integrated Working	Red	Yellow
Procurement	Green	Green
Relationship/Contract Management	Red	Yellow
Legality	Green	Green
Risk Management	Yellow	Green
Performance Reporting	Green	Green
Strategic Financial Management	Green	Green
Financial Reporting	Green	Green
Financial Management	Green	Green
Income Collection	Green	Green
Capital Programme Management	Yellow	Yellow
HR Management	Red	Yellow
Health and Safety	Red	Yellow
ICT Infrastructure	Yellow	Yellow
Cyber Security	Yellow	Yellow
Information Governance/Security	Red	Yellow
Business Continuity Management	Yellow	Yellow
Programme and Project Management	Yellow	Yellow
Asset Management	Red	Yellow
Anti-Fraud and Corruption	Green	Green
Council Owned Companies		
Sunderland Care and Support Ltd.	Yellow	Yellow
Together for Children Sunderland Ltd.	Yellow	Red
Sunderland Homes Ltd.	Yellow	Yellow

2018/19										
1st Line	2 nd Line								3 rd Line	
Management Assurance	Other Internal Assurance Activity								Internal Audit	External Assurance
	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	HR &OD	Business Continuity	Risk and Assurance		
				X				X		
				X				X		
				X				X		
				X				X		
				X				X		
				X				X	X	
				X				X	X	
				X				X		
X										
X				X					X	
X				X					X	
X				X				X	X	
X				X						
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X						X			X	
					X			X	X	
					X				X	
X	X								X	
X			X				X		X	
X									X	X
X									X	
X		X								
X		X		X			X		X	X
X		X							X	X

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

STRATEGIC RISK PROFILE

Appendix 2

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

Risk Code	Strategic Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Action Lead	Due Date	Impact	Likelihood	Rating	Strategic Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal Audit	External Audit
R006	Failure to provide appropriate conditions to support viable / sustainable investment opportunities in the City, including effective marketing.	4	3		4	2		Developing the appropriate infrastructure	Peter McIntyre	01-Mar-19	4	2		Growing the Economy												
								Obtaining external funding to develop infrastructure		01-Mar-19																
								Effective marketing to encouraging a diverse range of investors		01-Mar-19																

		Original Score			Target Score			Current Score			Assurance															
Risk Code	Strategic Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Action Lead	Due Date	Impact	Likelihood	Rating	Strategic Risk Area	Overall	1st Line	2nd Line							3rd Line		
R007	Failure to attract investment to support regeneration of the City Centre	4	3		4	2		Masterplanning underway in further areas (Holmeside, Minster Quarter, Sheepfolds, Sunnyside).	Peter McIntyre	31-Dec-19	4	2		Growing the Economy			MGT									
								Continue to engage and consult with developers and other stakeholders at the pre-app stage to streamline the process.		31-Dec-19																
								Bid submitted for balance of Station funding.		31-Dec-19																
								Funding team horizon scanning and preparing funding bids.		31-Dec-19																
								Consultants appointed to develop Sunderland City Centre Strategy and Investment Plan		31-Mar-19																
								New Civic Centre to be developed on Vaux site		31-Mar-19																

											Assurance																	
Risk Code	Strategic Risk Description	Original Score			Target Score			Mitigating Actions	Action Lead	Due Date	Current Score			Strategic Risk Area	Overall	1st Line	2nd Line							3rd Line				
		Impact	Likelihood	Rating	Impact	Likelihood	Rating				Impact	Likelihood	Rating			MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal Audit	External Audit		
R008	Failure to realise the economic regeneration / benefits, arising from the investment in the SSTC programme.							Engage with landowners and key stakeholders to support development of targeted sites. SSTC2 Northern Spire now open. SSTC 3 Construction to start May 19, due to be completed July 21. SSTC 4 business case in development.	Les Clark	31-Mar-19				Growing the Economy														
		3	3		3	2					3	2																

											Assurance																
Risk Code	Strategic Risk Description	Original Score		Rating	Target Score		Rating	Mitigating Actions	Action Lead	Due Date	Current Score			Strategic Risk Area	Overall	1st Line	2nd Line						3rd Line				
		Impact	Likelihood		Impact	Likelihood					Impact	Likelihood	Rating			MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal Audit	External Audit	
R009	Housing developers are not attracted to Sunderland							Incentivise developers and put in place enabling infrastructure.	Peter McIntyre	31-Dec-19				Promoting Better Living and Working													
		3	3		3	2		Programme activity so that developers are ready to submit planning applications as soon as the Local Plan is adopted.		31-Mar-19																	
								Sliglion housing sites in progress.		31-Mar-19	3	2															

											Assurance															
Risk Code	Strategic Risk Description	Original Score			Target Score			Mitigating Actions	Action Lead	Due Date	Current Score			Strategic Risk Area	Overall	1st Line	2nd Line						3rd Line			
		Impact	Likelihood	Rating	Impact	Likelihood	Rating				Impact	Likelihood	Rating			MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal Audit	External Audit
R010	Opportunities are not taken to regenerate the coast in a timely manner or development is restricted by lack of resources	3	2		3	1		Seaburn phase 1 to deliver apartments and commercial space	Peter McIntyre	31-Dec-19	3	4		Promoting Better Living and Working												

											Assurance																
Risk Code	Strategic Risk Description	Original Score			Target Score			Mitigating Actions	Action Lead	Due Date	Current Score			Strategic Risk Area	Overall	1st Line	2nd Line						3rd Line				
		Impact	Likelihood	Rating	Impact	Likelihood	Rating				Impact	Likelihood	Rating			MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal Audit	External Audit	
R011	City's cultural offer does not contribute to the city being an attractive and vibrant place to invest, work, learn, live and visit	3	2		3	1		Culture Company supports culture programme and key cultural events such as elements of the Tall ships	Fiona Brown	31-Mar-19	3	1		Maximising the Cultural Offer													

											Assurance															
		Original Score			Target Score							Current Score			1st Line		2nd Line							3rd Line		
Risk Code	Strategic Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Action Lead	Due Date	Impact	Likelihood	Rating	Strategic Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal Audit	External Audit
R013	The Council is not able to fulfil its statutory responsibility and/or achieve desired outcomes for Children and young people							Review of the contract monitoring arrangements and the operation of the Operational Commissioning Group.	Fiona Brown	31-Mar-19				Improving Education & Skills												
								Review of Together for Children governance arrangements.		31-Mar-19																
		4	4		3	2		Base budget review.		31-Mar-19	3	3														

		Original Score		Target Score				Current Score			Assurance																
Risk Code	Strategic Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Action Lead	Due Date	Impact	Likelihood	Rating	Strategic Risk Area	Overall	1st Line	2nd Line							3rd Line			
																MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal Audit	External Audit	
R014	The health of the population does not improve							Develop the Joint Health & Wellbeing Strategy with an action plan, to address the major issues identified in the Joint Strategic Needs Assessment.	Gillian Gibson	31-Mar-19				Improving Health & Wellbeing													
								Public Health function to effectively address major issues including alcohol, smoking and obesity, guided by the developing Public Health Strategy		31-Mar-19																	
		4	3		4	2		The Council to incorporate an approach to health in all its policies		31-Mar-19	4	3															

		Original Score			Target Score						Current Score			Assurance													
Risk Code	Strategic Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Action Lead	Due Date	Impact	Likelihood	Rating	Strategic Risk Area		Overall	1st Line	2nd Line						3rd Line			
																	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal Audit	External Audit
R015	Safeguarding practice does not substantially improve to make children safer.							Deliver the improvement plan that has been agreed with Ofsted	Jill Colbert	30-Sep-18				Protecting Vulnerable Children													
		4	4		4	2		Embed a culture of good performance and quality		30-Sep-18	4	3															






		Original Score			Target Score							Current Score			Assurance													
Risk Code	Strategic Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Action Lead	Due Date	Impact	Likelihood	Rating	Strategic Risk Area		Overall	1st Line	2nd Line					3rd Line					
																	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal Audit	External Audit	
R016	Timely interventions are not undertaken to deliver early help/support to vulnerable children							Children and families in need of help are identified and multi-agency services act together to improve outcomes	Jill Colbert	30-Sep-18				Protecting Vulnerable Children														
		4	4		4	2					4	3																






Risk Code		Strategic Risk Description		Original Score			Target Score			Current Score			Assurance														
				Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Action Lead	Due Date	Impact	Likelihood	Rating	Strategic Risk Area	Overall	1st Line	2nd Line							3rd Line	
																	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal Audit	External Audit
R017	Timely and sustainable solutions are not implemented for looked after children to improve the life chances for the most vulnerable children in the city							Looked-after children have access to high quality care planning, review and support. They are supported in stable care placements and have access to and attend good schools	Jill Colbert	30-Sep-18				Protecting Vulnerable Children													
		4	4		4	2					4	3															

		Assurance																								
		1st Line			2nd Line					3rd Line																
Risk Code	Strategic Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Action Lead	Due Date	Impact	Likelihood	Rating	Strategic Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal Audit	External Audit
R018	Inability to change the structures (ie workforce, technology, processes, customer engagement), service capacity, and culture of the company to deliver the improved outcomes to vulnerable children.	3	3		3	2		Delivery and close scrutiny of Improvement Plan and act on any areas for improvement identified during each Ofsted monitoring visit.	Jill Colbert	31-Mar-19	3	3		Protecting Vulnerable Children												
								Delivery and close scrutiny of Business Plan for Company.		31-Mar-19																
								Implementation of recruitment & retention strategy.		31-Mar-19																
								Directors to manage budgets with appropriate support from Finance. This includes monthly meetings with Budget Holders and formal reporting arrangements to TfC Board, OCG and the Council.		31-Mar-19																
								A Base Budget review exercise will be completed to inform options available		31-Mar-19																

										Assurance															
Risk Code	Strategic Risk Description	Original Score			Target Score			Mitigating Actions	Action Lead	Due Date	Current Score			1st Line		2nd Line						3rd Line			
		Impact	Likelihood	Rating	Impact	Likelihood	Rating				Impact	Likelihood	Rating	Strategic Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal Audit
R019	Activity to improve the care options for adults does not meet the needs of individuals or result in reduced costs to the Council							Liquid Logic social care system is now live. Phase 2 is to deliver customer/citizen portal.	Fiona Brown	31-Mar-19				Protecting Vulnerable Adults											
		3	2		3	1		Joint work with NHS regarding continuing healthcare.		31-Mar-19															
								Review of telecare service provision.		31-Mar-19	3	2													

Risk Code	Strategic Risk Description	Original Score			Target Score			Mitigating Actions	Action Lead	Due Date	Current Score			Assurance													
		Impact	Likelihood	Rating	Impact	Likelihood	Rating				Impact	Likelihood	Rating	Strategic Risk Area	Overall	1st Line	2nd Line						3rd Line				
																MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal Audit	External Audit	

R020	Agitators use national issues / incidents to heighten tensions in local communities in Sunderland	4	2		4	1		Support Partners to improve community safety and maintain high levels of feelings of safety for all	Sarah Reed	31-Mar-19	4	1		Building Resilient Communities												
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		Original Score		Target Score					Current Score			Assurance														
Risk Code	Strategic Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Action Lead	Due Date	Impact	Likelihood	Rating	Strategic Risk Area	Overall	1st Line	2nd Line							3rd Line		
																MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal Audit	External Audit
R022	"Opportunities are not taken to enable individuals to mitigate the impact of welfare reforms							Digital inclusion (DI): provides greater customer choice, increased opportunities and social inclusion.	Graham King	31-Mar-19				Building Resilient Communities												
								Financial inclusion (FI): enables better money management, planning for the future and coping more effectively with financial pressures and distress.		31-Mar-19																
		4	3		4	2		Crisis Support (CS): helps residents respond more effectively to changes in their financial circumstances, or unforeseen financial emergencies.		31-Mar-19	3	3														

Appendix 3

Risk Likelihood

1 = Unlikely
2 = Possible
3 = Likely
4 = Almost Certain

Likelihood	4				
	3				
	2				
	1				
		1	2	3	4
Negative Impact					









										Assurance															
		Original Score (Dec ' 16)			Target					Current			1st Line		2nd Line							3rd Line			
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR005	Strategic plans are not adequately communicated on a timely basis to relevant Council officers and external partners responsible for delivering plans	4	3		4	2		CR005-1 Once approved, the Corporate Plan is communicated appropriately within the Council and with stakeholders	31-Mar-19	4		2 	Strategic Planning												

										Assurance															
		Original Score (Dec ' 16)			Target					Current			1st Line		2nd Line								3rd Line		
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR006	The service planning process does not deliver all the actions to achieve the Corporate priorities	3	3		3	2		CR006-1 Service planning process is driven by the corporate plan	31-Mar-19	3		2	Service / Business Planning												

										Assurance															
		Original Score (Dec ' 16)			Target					Current			1st Line		2nd Line								3rd Line		
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR007	Service/business plans are not communicated to relevant officer responsible for delivering plan task.	4	2		4	1		CR07-1 Business plans are communicated to the relevant officers involved in delivering the plan	31-Mar-19	4	2		Service / Business Planning												

		Original Score (Dec ' 16)			Target					Current			Assurance													
													1st Line		2nd Line								3rd Line			
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External	
CR008	The level of services delivered by the council do not meet customer expectations	4	3		4	1		CR008-1 Performance in relation to the delivery of outcomes is regularly monitored	31-Mar-19	4	2		Service Delivery Arrangements													

		Original Score (Dec ' 16)			Target					Current			Assurance													
													1st Line		2nd Line								3rd Line			
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External	
CR009	Service delivery arrangements are not resilient	4	3		4	2		CR009-1 Business continuity plans are in place and are tested for critical services	31-Mar-19	4	2		Service Delivery Arrangements													







										Assurance															
		Original Score (Dec ' 16)			Target					Current			1st Line		2nd Line								3rd Line		
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR010	Performance Management arrangements do not identify if all priorities are being achieved	4	2		4	1		CR010-1 Clear performance measures are in place to identify if outcomes are being delivered	31-Mar-19	4	1		Performance Management												

											Assurance														
		Original Score (Dec ' 16)			Target					Current					1st Line		2nd Line							3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR011	No or inappropriate performance targets are set to define acceptable performance	3	3		3	2		CR011-1 Targets should be set for all performance measures (where appropriate to do so) to clarify acceptable levels of performance	31-Mar-19	3		2	Performance Management												







										Assurance															
		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line								3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR012	Management fail to take prompt effective action in response to performance results reported or fails to follow up to ensure remedial action is effective	3	3		3	1		CR012-1 Management review performance on a regular basis and take appropriate action to rectify unacceptable performance	31-Mar-19	3		1	Performance Management												






Assurance													
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		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line								3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR013	Partner(s) do not perform their planned tasks as intended to deliver partnership objectives. Objectives and priorities of Council and other partner(s) conflict/not aligned	4	3		4	2		CR013-1 Performance management arrangements include a review of the achievement of outcomes where partners have some responsibility for delivery	31-Mar-19	4	3		Partnership / Integrated working												

		Original Score (Dec ' 16)			Target					Current			Assurance													
													1st Line		2nd Line								3rd Line			
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External	
CR014	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	4	3		4	2		CR014-1 Partnership agreement in place with each partner setting out the expectations of each party and the required reporting arrangements	31-Mar-19	4	3		Partnership / Integrated working													

										Assurance															
		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line								3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR015	The product or service procured does not deliver the intended outcomes	3	1		3	1		CR015-1 The Council's procurement procedures are followed and good procurement practice is undertaken	31-Mar-19	3	1		Procurement												









											Assurance														
		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line								3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR016	Procurement breaches legal and Council requirements	2	1		2	1		CR016-1 Commissioners engage with Corporate procurement in enough time to undertake an appropriate and legal procurement process	31-Mar-19	2	1		Procurement												







										Assurance															
		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line								3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR017	Value for money not obtained	3	2		3	1		CR017-1 Commissioners engage with Corporate procurement in enough time to undertake an appropriate and legal procurement process	31-Mar-19	3	2		Procurement												







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Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	1st Line	2nd Line								3rd Line		
																Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External	
CR018	Contracts do not deliver the required objectives/outcomes	4	3		4	2		CR018-1 The new Head of Contractual Relationships will improve the skills in this area and will ensure that appropriate contract management arrangements are in place for all key procurements undertaken by the Council	31-Mar-19	4	3		Relationship / Contract Management													








		Assurance									
Original Score (Dec ' 16)	Target	Current	1st Line	2nd Line				3rd Line			

Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR019	Council fails to act within its statutory powers	3			3			CR019-1 Review of key decisions by Law and Governance	31-Mar-19	3			Legality												







										Assurance															
		Original Score (Dec ' 16)			Target					Current					1st Line		2nd Line							3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR020	Fail to identify and manage the major risks and opportunities to delivering priorities and plans	3	2		3	1		CR020-1 Service Planning process to identify key risks	31-Mar-19	3		2		Risk Management											
								CR020-2 The Council's strategic and corporate risks are identified, assessed and managed through COG and the Audit and Governance Committee	31-Mar-19																










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CR021	Performance reporting fails to give a full and accurate picture of the progress in achieving corporate priorities and outcomes	3	1		3	1		CR021-1 Further developments to the reporting of performance in relation to the achievement of outcomes and priorities, including the use of an appropriate ICT solution.	31-Mar-19	3	1		Performance Reporting												







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		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line							3rd Line		
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CR022	Strategic financial plans do not align to Council priorities, objectives and direction as set out as part of the corporate plan	4	2		4	1		CR022-1 The Corporate Plan Delivery Plan will need to be refreshed / updated in line with the agreed budget	31-Mar-19	4		1 	Strategic Financial Planning / MTFS												

		Original Score (Dec ' 16)			Target					Current			Assurance													
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	1st Line	2nd Line								3rd Line		
															MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External	
CR023	Strategic financial plans fail to take into account all critical factors likely to affect the Council's finances moving forward, e.g. changes in government funding streams, changes in amounts of funding, inflation, pay awards, potential liabilities etc	3	1		3	1		CR023-1 Appropriate consultation and intelligence gathering is undertaken in assessing the Council's short to medium term financial position	31-Mar-19	3	1		Strategic Financial Planning / MTFS													







		Original Score (Dec ' 16)			Target					Current			Assurance													
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	1st Line	2nd Line						3rd Line				
CR024	Financial reporting fails to reflect on how financial changes in one area impacts on the Council's overall financial position	3	1		3	1		CR024-1 The Council's financial position is regularly reported to the Executive Management Team	31-Mar-19	3	1		Financial Reporting		MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External	

										Assurance															
		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line								3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR025	Financial Reporting fails to give a full and accurate picture of the progress to achieving corporate financial priorities and targets	3	1		3	1		CR025-1 Financial performance reporting is aligned to performance reporting to identify any potential inaccuracies or inconsistencies	31-Mar-19	3	1		Financial Reporting												






		Original Score (Dec ' 16)			Target			Mitigating Actions	Due Date	Current			Assurance															
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating			Impact	Likelihood	Rating	Corporate Risk Area	Overall	1st Line	2nd Line							3rd Line					
CR026	Management fail to manage financial performance or take appropriate prompt effective action in response to poor financial performance results reported	3	1		3	1		CR026-1 The financial management framework ensures that managers regularly review their financial performance and are taking appropriate remedial action where necessary	31-Mar-19	3		1		Financial Management														

										Assurance															
		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line							3rd Line		
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR027	The Council fails to pay its employees (and those of other clients) on time	3	1		3	1		CR027-1 Controls in place to ensure that the payroll runs are complete and accurate and operate efficiently	31-Mar-19	3		1		Financial Management											

		Original Score (Dec ' 16)			Target					Current			Assurance													
													1st Line		2nd Line								3rd Line			
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External	
CR028	The Council fails to make payments to its suppliers and clients on time	3	1		3	1		CR028-1 Procedures required for making payments on time are up to date and fully understood by staff within the payments service	31-Mar-19	3			Financial Management													

										Assurance														
		Original Score (Dec ' 16)			Target			Mitigating Actions	Due Date	Current			1st Line		2nd Line							3rd Line		
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating			Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal
CR029	The Council fails to process payments for housing benefit accurately or on time	4	1		4	1		CR029-1 Established procedures are in place and followed by adequately trained staff for the assessment and processing of benefit claims	31-Mar-19	4			Financial Management											










										Assurance															
		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line								3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR030	Council fails to bill and or promptly collect the income that is due to it	3	1		3	1		CR030-1 Regular monitoring that the income received is in line with that expected as per the Council's budget	31-Mar-19	3			Income Collection (including CT/NNDR)												

										Assurance														
		Original Score (Dec ' 16)			Target			Mitigating Actions	Due Date	Current			1st Line		2nd Line								3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating			Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal
CR031	Prosperity within the City fails to grow resulting in the expected level of income being uncollectable	4	3		4	2		CR031-1 Clear performance measures and regular monitoring of the debtor position	31-Mar-19	3			Income Collection (including CT/NNDR)											

													Assurance												
		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line							3rd Line		
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External

CR032	Capital projects do not support the delivery of strategic priorities and desired outcomes	3	1		3	1		CR032-1 The Capital Programme is directly aligned to the Council's Corporate Plan and strategic priorities	31-Mar-19	3	1		Capital Programme Management											
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		Original Score (Dec ' 16)			Target					Current			Assurance											
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	1st Line	2nd Line						3rd Line		
CR033	The intended benefits of external funding for capital projects are not maximised	3	3		3	2		CR033-1 Corporate approach to planning and monitoring of the delivery of the wider benefits of the Capital Programme	31-Mar-19	3	3		Capital Programme Management											

										Assurance																
		Original Score (Dec ' 16)			Target					Current					1st Line		2nd Line						3rd Line			
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External	
CR034	The council does not have the required skills and capacity to deliver the City's priorities	3	3		3	2		CR034-1 Workforce planning strategy in place that is appropriately monitored to ensure it is effectively implemented	31-Mar-19	3		3		HR Management												









		Original Score (Dec ' 16)			Target					Current			Assurance											
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	1st Line	2nd Line						3rd Line		
CR035	Reduction in productivity and morale of workforce	4	3		4	2		CR035-1 Recognition of reduced capacity	31-Mar-19	4	3		HR Management											









										Assurance															
		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line								3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR037	Council officers do not fully understand H&S roles and responsibilities	4	3		3	2		CR037-1 H&S Strategy/Policy to be reviewed/revised	31-Mar-19	4		3		Health & Safety											
								CR037-2 Review/develop arrangements to effectively coordinate and oversee H&S Training programme across the council	31-Mar-19																
								CR037-3 H&S responsibilities to be included in leaver handover arrangements	31-Mar-19																








		Original Score (Dec ' 16)			Target					Current			Assurance											
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	2nd Line						3rd Line		
CR038	The council's key H&S risks are not identified, understood or agreed	4	3		3	2		CR038-1 Establish corporate approach for the effective identification of key corporate	31-Mar-19	4		3		Health & Safety										
								CR038-2 H&S risk register to developed and communicated across senior officers together with clear roles and responsibilities for the ongoing management and delivery of agreed actions.	31-Mar-19															









		Original Score (Dec ' 16)			Target					Current			Assurance											
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	1st Line	2nd Line						3rd Line		
CR039	Appropriate action plans are not developed and agreed to manage the council's key H&S risks	4	3		3	2		CR039-1 Review effectiveness of H&S Management System and agree any areas for development.	31-Mar-19	4	3		Health & Safety											

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										Assurance															
		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line								3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR041	The ICT infrastructure is not fit for purpose (i.e. not meet needs of Council, not reliable, too expensive)	4	2		4	1		CR041-1 The ICT strategy is clearly aligned to the priorities of the Council and the direction of travel for the provision of Council Services	31-Mar-19	3	2		ICT Infrastructure												










										Assurance																
		Original Score (Dec ' 16)			Target						Current			1st Line		2nd Line								3rd Line		
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External	
CR042	ICT infrastructure is not resilient to 'disasters'	4	3		3	2		CR042-1 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	31-Mar-19	4		2		ICT Infrastructure												

										Assurance																
		Original Score (Dec ' 16)			Target					Current			1st Line		2nd Line								3rd Line			
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External	
CR043	The Council unnecessarily exposes itself to vulnerabilities & threats, both internal & external, (e.g. hacking, phishing, denial of service attack) as a result of its connection to the internet resulting in an increased risk of exposure	4	3		4	2		CR043-1 A Cyber security Strategy is in place, including and threat assessment, development plan and response plan	31-Mar-19	4		2		Cyber Security												







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		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line								3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR044	Council's data is not accurately protected	3	3		3	2		CR044-1 Council has appropriate information governance and security arrangements in place which are complied with throughout the organisation	31-Mar-19	3	3		Information Governance/Security												

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CR046	Lack of awareness of content of business continuity plans	4	3		4	2		CR046-1 Relevant staff are made aware of the content of the business continuity plans and understand their role in implementing them	31-Mar-19	4	2		Business Continuity Management												

										Assurance																
		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line								3rd Line		
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External	
CR047	Programmes and projects fail to deliver the desired benefits and outcomes	3	2		3	1		CR047-1 The expected benefits of programmes and projects are clearly set out at the start and their achievement monitored throughout	31-Mar-19	3	2		Programme / Project Management													

										Assurance															
		Original Score (Dec ' 16)			Target					Current					1st Line	2nd Line								3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR048	Opportunities are not taken to maximise the use of assets (land and property). Assets are not fully utilised	3	3		3	2		CR048-1 The use of Council assets are monitored on an ongoing basis, particularly in response to changing staffing levels and changing service delivery models	31-Mar-19	3	3		Asset Management												

										Assurance															
		Original Score (Dec ' 16)			Target			Mitigating Actions	Due Date	Current					1st Line	2nd Line								3rd Line	
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating			Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR049	Lack of appropriate maintenance of physical assets	4	3		4	2		CR049-1 Condition of assets to be monitored on an appropriate basis and maintenance scheduled as required	31-Mar-19	4	3		Asset Management												

										Assurance															
		Original Score (Dec ' 16)			Target					Current			1st Line		2nd Line								3rd Line		
Code	Corporate Risk Description	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Due Date	Impact	Likelihood	Rating	Corporate Risk Area	Overall	MGT	Legal	Financial	Projects	Performance	ICT	HR&OD	BCM	Risk	Internal	External
CR050	Council fails to prevent, detect and investigate acts of fraud and corruption	2	2		2	2		CR050-1 Managers are aware of the fraud risks within their area and maintain appropriate controls baring in mind changes to service delivery and staffing levels	31-Mar-19	2	2		Anti Fraud and Corruption												

Internal Audit coverage

Strategic Risk Profile

Key Risk Area	2015/16 Audits/Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		2018/19 Audits / Opinions		Scope of 2018/19 Audit	Overall Opinion
Improving Educations and Skills					Together for Children Contract Monitoring	S				
Protecting Vulnerable Children					Together for Children Contract Monitoring	S				
Protecting Vulnerable Adults					Assessment and Management of Personal Budgets	L				

Corporate Risk Profile

Key Risk Area	2015/16 Audits / Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		2018/19 Audits / Opinions		Scope of 2018/19 Audit	Overall Opinion
Commissioning	Commissioning	L			Commissioning	M				
Strategic Planning			Corporate Service Planning Arrangements	S	Service/Business Planning					
Service/Business Planning	Community and Family Wellbeing		Transformational Change Programme	M	Service/Business Planning		Service/Business Planning		Review of service/business planning arrangements.	
	Adoption Service		Corporate Service Planning Arrangements	S			Derwent Hill	S	Review of arrangements in place within Derwent Hill	
	Multi Agency Safeguarding Hub		Ethos							
	Commissioning	L								
	Corporate Service Planning Arrangements	S								
Service Delivery Arrangements	Community and Family Wellbeing		Better Care Fund	M	Corporate Performance Management	S	Liquid Logic including business processes		Review of business processes within People since the introduction of Liquid Logic to ensure that data entered into the system is accurate and up to date.	
	Adoption Service		Transformational Change Programme	M						
	Multi Agency Safeguarding Hub		Leaving Care Grants	L						
	Safeguarding and Quality Assurance Unit		Ethos							

Key Risk Area	2015/16 Audits / Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		2018/19 Audits / Opinions		Scope of 2018/19 Audit	Overall Opinion
	Commissioning	L	Business Continuity Planning							
	Personal Budgets	S	Bereavement Services	S						
	Accounting/General Ledger	S								
Performance Management	Multi Agency Safeguarding Hub		Corporate Performance Management Arrangements	S	Corporate Performance Management	S	Derwent Hill	S	Review of arrangements in place within Derwent Hill	
	Community and Family Wellbeing		Adult Services Performance Management							
	Capital Programme Funding and Monitoring Benefits Realisation	S L								
	Safeguarding and Quality Assurance Unit									
Partnership /Integrated Working	Follow Up of 2014/15 audit		Partnerships	S	Corporate Partnership Arrangements	M				
			North East Local Enterprise Payment of Loans and Grants (including repayment of loans)	S						
Procurement	Commissioning	L	Agency Workers - Off contract spend	L	Commissioning	M	Revenue Procurement		Compliance testing	
	Revenue Procurement	S			Revenue Procurement	M	Use of agency contract	M	Review of arrangements in place within the Council when appointing agency officers to ensure that these comply with	
					Homecare Payments	L	Catering consortium	L	Review of the arrangements for monitoring the catering consortium to ensure that it remains viable from a financial and quality perspective.	
Relationship/Contract Monitoring	Commissioning	L	Leisure Services Management	S	Contract Management - Public Health School Nursing Service	S	Contract Management Arrangements for key contracts		Review of the contract management arrangements for a sample of key contracts.	
	Contract Management - Sunderland Care and Support	M	LABV Client Arrangements	M	Commissioning	M	Contract Management - IAMP consultants	M	Review of the contract management arrangements for the consultants used for the IAMP.	
	LABV	L	Highways Contract Monitoring	M	Together for Children Contract Monitoring	S				
	Capital Programme Funding and Monitoring Benefits Realisation	S L								
Legality	Constitution	M	Employment Clearances	S			Delegated Decision Making		To look at decision making in line with the constitution and delegation schemes.	

Key Risk Area	2015/16 Audits / Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		2018/19 Audits / Opinions		Scope of 2018/19 Audit	Overall Opinion
							Emergency Planning and Response	S	Review of the arrangements for emergency planning and response.	
Risk Management							Derwent Hill	S	Review of arrangements in place within Derwent Hill	
Performance Reporting			Corporate Performance Management Arrangements	S	Corporate Performance Management	S	Performance Reporting - Data Quality	S	Review of a sample of data reported to the performance clinics to ensure that systems are sufficient to ensure that	
			Adult Services Performance Management							
Strategic Financial Planning/MFTS	Corporate Service Planning Arrangements	S			Provision for significant financial liabilities	S				
Financial Reporting	Accounting/General Ledger	S	Better Care Fund	M	Budget Setting and Management		Financial Reporting Arrangements		Review of the arrangements for financial reporting for post SAP project	
			Transformational Change Programme	M						
Financial Management	EFA/SFA Funding	S	Leaving Care Grants	L	Budget Setting and Management		EFA Funding	S	Grant review	
	Local Transport Capital and Integrated Transport Grants	S	Bereavement Services	M	Payroll compliance testing	S	Local Transport Capital Settlement - Capital Maintenance	S	Grant review	
	Troubled Families Performance Reward Funding	S	North East Local Enterprise Partnership Payment of Loans and Grants (including repayment of loans)	S	BACS Compliance testing	S	Local Transport Capital Settlement - Integrated Transport	S	Grant review	
	Personal Budgets	L	Agency Workers - Off contract spend	L	Housing Benefit Assessment	M	Nexus (Combined Authority)	S	Grant review	
	Financial Verification of Leavers from the Direct Payments Scheme	S	EFA/SFA Funding	S	Sport for Life Grant	S	Pothole Action Fund	S	Grant review	
	Commissioning	L	Local Transport Capital and Integrated Transport Grants	S	EFA Funding	S	Sunderland A1290 Safety Improvement Scheme Phase 1	S	Grant review	
	Personnel Administration Arrangements		Troubled Families Performance Reward Funding	S	Local Transport Capital Settlement	S	Better Care Fund - DFG	S	Grant review	
	LABV	S	City Deal (which replaces Big Coastal Communities Grant for which there is no audit requirement)	S	Local Transport Integrated Transport	S	Vaux Phase 1		Grant review	
	Accounting/General Ledger	S	Disabled Facilities and Social Care Capital Grants (replaces Sunderland a City by the Sea grants for which there is no audit requirement)	S	Nexus (Combined Authority)	S	Tall Ships Cultural Programme	S	Grant review	
	BACS Processing	S	Sport for Life Grant		Pothole Action Fund	S	Local Transport Capital - National Productivity Investment	S	Grant review	
	Accounts Payable	M	SSTC2	S	City Centre Cycle Permeability Scheme	S	A19 Ultra Low Carbon Enterprise Zone		Grant review	

Key Risk Area	2015/16 Audits / Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		2018/19 Audits / Opinions		Scope of 2018/19 Audit	Overall Opinion
	Benefits Administration	S	Adult Social Care Contributions		Disabled Facilities Grant	S	External Funding	S	Review of arrangements for external funding including maximisation of attracting external funding and subsequently	
	Payroll	M	Port Fuel System	L			Building Maintenance Financial Management		Review of arrangements for building maintenance financial management to include procurement of building supplies	
	Autism Innovation Grant	S	Payroll	S			Payroll		Compliance testing	
	Agency Workers (Unplanned)	N	Asset Register/Capital Accounting	S			BACS	S	Compliance testing	
	Go Smarter to Work Grant	S	Accounts Payable	M			Accounts Payable		Review of the accounts payable system	
			Pension Arrangements	S			Liquid Logic including business processes		Review of business processes within the Company since the introduction of Liquid Logic to ensure that data entered into the system is accurate and up to date.	
							Derwent Hill	S	Review of arrangements in place within Derwent Hill	
Income Collection (including CR/NNDR)	Port Income	M	Income	S	Cash Receipting, collection of Council Tax, NNDR, AR and PI	S	Cash Receipting	S	Review of arrangements for cash receipting to include PCI compliance.	
	Cash Receipting	S			Business Rate Recovery	S	Accounts Receivable/Periodic Income		Review of arrangements for accounts receivable to include PORT transactions	
	Accounts Receivable	S			Council Tax Recovery	S	Derwent Hill	S	Review of arrangements in place within Derwent Hill	
	Periodic Income	S			AR Recovery	S				
	Business Rates Liability	S								
	Business Rates Revised Billing	S								
	Enforcement Section	S								
Capital Programme Management	Capital Programme Funding and Monitoring Benefits Realisation	S L					Benefits Realisation		Review of arrangements to ensure that the Council realises all potential and stated benefits from a project. Sample to include SAP project.	
HR Management	SAP Organisation Structures	M	Employment Clearances	S	Workforce Planning and Apprenticeship Scheme		Human Resource Management - updated SAP procedures		Review of Human Resource Management arrangements following the upgrade of SAP and introduction of self-serve	
	Induction Procedures	M	Ethos				Apprenticeships		Review of the arrangements to comply and maximise use of the apprenticeship levy.	
	Code of Conduct/Whistleblowing	M	Agency Workers - Off Contract	L						
	Personnel Administration Arrangements		Payroll	S						
	Agency Workers (Unplanned)	N	SAP Organisation Structures	S						
			Personnel Administration Arrangements	M						
			Pension Arrangements	S						

Key Risk Area	2015/16 Audits / Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		2018/19 Audits / Opinions		Scope of 2018/19 Audit	Overall Opinion
Health and Safety					Corporate Health and Safety Arrangements		Corporate Health and Safety Arrangements		Audit of Corporate Health and Safety Arrangements including the introduction of an assurance map	
ICT Infrastructure			ICT Technology Allocation Process	M	ICT Strategy and Infrastructure		Externally hosted systems		Audit of security of information on cloud based and systems that are externally hosted	
					Disaster Recovery/Business Continuity Arrangements	M	Intrusion prevention and incident management		Review of the arrangements within ICT for intrusion prevention and incident management	
Cyber Security	Cyber Security	L			Cyber Security Arrangements	M	Intrusion prevention and incident management		Review of the arrangements within ICT for intrusion prevention and incident management	
Information Governance/Security	Corporate Information Governance Arrangements	L	Corporate Information Governance Arrangements	M	Building Access Security Sites - Remote Sites	M	General Data Protection Regulation - Compliance		Review of arrangements for monitoring compliance with GDPR and how the Council ensures that it learns from data breaches.	
	Multi Agency Safeguarding Hub		Use of Email	M	General Data Protection Regulations	M	Derwent Hill	S	Review of arrangements in place within Derwent Hill	
	Use of Email	M								
Business Continuity Management	Emergency Planning	S	Business Continuity Planning		Corporate Business Continuity Arrangements	S				
Programme/Project Management	Corporate Service Planning Arrangements	S	Transformational Change Programme	S	SAP Procedure Update		Benefits Realisation		Review of arrangements to ensure that the Council realises all potential and stated benefits from a project. Sample to include SAP project.	
	Capital Programme Funding and Monitoring Benefits Realisation	S L								
Asset Management	LABV	L	LABV Client Arrangements	M	Corporate Asset Management	L				
	Corporate Asset Management	M	Asset Register/Capital Accounting	S						
			ICT Technology Allocation Process	M						
Anti Fraud and Corruption	Financial Verification of Leavers from the Direct Payments Scheme	S	Port Fuel System	L	Revenue Procurement	M	Building Maintenance Financial Management		Review of the building maintenance financial management arrangements including the procurement of building supplies	
	BACS Processing	S			Homecare Payments	L	Revenue Procurement		Compliance testing	
	Cash Receipting	S			Payroll compliance Testing	S	Use of Agency Contract	M	Compliance testing based on use of the corporate fram	
	Accounts Payable	M			BACS compliance testing	S	Payroll compliance testing		Compliance testing	
	Accounts Receivable	S			Cash Receipting	S	BACS	S	Compliance testing	

Key Risk Area	2015/16 Audits / Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		2018/19 Audits / Opinions		Scope of 2018/19 Audit	Overall Opinion
	Periodic Income	S			Business Rate Recovery	S	Accounts Payable		Review of the accounts payable system	
	Benefits Administration	S			Council Tax Recovery	S	Cash Receipting	S	Review of arrangements for cash receipting to include PCI compliance.	
	Business Rates - Liability	S			AR Recovery	S	Accounts Receivable/Periodic Income		Review of arrangements for accounts receivable to include PORT transactions	
	Enforcement Section	M					Derwent Hill	S	Review of arrangements in place within Derwent Hill	
	Payroll	M					Refuse Collection	S		
	Revenue Procurement	S								
	Agency Workers (Unplanned)	N								
Schools	18 schools in the plan, 15 completed to date. 13 Substantial, 2 Moderate	S	31 schools in the plan, 30 completed to date. 25 Substantial, 5 Moderate	S	27 schools in the plan, 2 cancelled, 25 completed to date. 16 Substantial, 8 Moderate, 1 Limited	S	14 schools in the plan, 14 completed to date. 12 Substantial, 2 Moderate	S		
Sunderland Care and Support	Community Equipment Store	M	Establishment Visits/Supported Living	M	Establishment Visits/Supported Living	M	Unit Costing		Review of the arrangements for unit costing.	
	Grace House Partnership	M			Unit Costing		Risk and Assurance Framework		Review of the risk and assurance framework.	
	Reablement	M			Procurement/Transaction Testing		Information Governance/GDPR		Review of arrangements for monitoring compliance with GDPR and how the Company ensures that it learns from data breaches.	
	Governance Arrangements	M			Governance/Audit Committee		Compliance with Financial Procedures in Establishments		Review of compliance with the financial procedures in establishments. Audit will include testing at various	
Together for Children					Governance Arrangements	S	Troubled Families Grant Claim		Review of accuracy of data included in one grant return	
					Effectiveness of SLA Relationships	S	Budget Monitoring		Review of the arrangements within TFC for budget monitoring	

Key Risk Area	2015/16 Audits / Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		2018/19 Audits / Opinions		Scope of 2018/19 Audit	Overall Opinion
					Financial Procedures - bank account/income	M	HR management / recruitment / agency workers / performance		Review of the arrangements for HR Management and recruitment including the monitoring of and strategies for reducing reliance on agency officers.	
					Information Governance/GDPR	L	Information Governance/GDPR		Review of arrangements for monitoring compliance with GDPR and how the Company ensures that it learns from data breaches.	
							Next Steps		Review of the arrangements for the management of the issue and return of monies within next steps	
							Financial procedures in establishments	M	Review of compliance with the financial procedures in establishments. Audits will include testing at the various establishments.	
							Liquid logic		Review of business processes within the Company since the introduction of Liquid Logic to ensure that data entered into the system is accurate and up to date.	

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2018/19

Efficiency and Effectiveness			
Objectives	KPI's	Targets	Actual Performance
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) 4) Cost per £m Turnover	1) All key risk areas covered over a 3 year period 2) 90% 3) 82% 4) Lower than average within CIPFA Benchmarking Club	1) On target 2) Ahead of target — 97% 3) Ahead of target – 90% 4) On target - £417 v £569 average
Quality			
Objectives	KPI's	Targets	Actual Performance
1) To maintain an effective system of Quality Assurance	1) Opinion of External Auditor	1) Satisfactory opinion	1) Achieved
2) To ensure actions agreed by the service are implemented	2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented	2) 100% for high and significant 90% for medium risk	2) Significant – behind target – 92% Medium – behind target 88% (excluding schools)
Client Satisfaction			
Objectives	KPI's	Targets	Actual Performance
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 – 1.1 to date 2) On target – Positive results received from TFC management survey 3) 4 compliments 0 complaints

AUDIT AND GOVERNANCE COMMITTEE

14 December 2018

RISK AND ASSURANCE MAP - CONSULTATION FOR 2019/20

Report of the Head of Assurance, Procurement and Performance Management

1. Purpose of Report

- 1.1 Each year the Audit and Governance Committee is consulted at an early stage on the development of the plans of work for the Internal Audit and Risk and Assurance teams for the forthcoming year to give members the opportunity to raise any issues which they feel should be considered.
- 1.2 The allocation of resources will continue to be flexible given the level of changes that are occurring across the Council. Based on knowledge of the work of the Council currently, there are a number of areas that are expected to be a priority for 2019/20. These are as follows:
 - On-going audit work in relation to Council owned companies.
 - Transformation Plans.
 - Liquid Logic social care system.
 - Economic Development, including SSTC Phase 3 and work on the International Advanced Manufacturing Park.
 - Impact of the introduction of Universal Credit.
 - BREXIT
 - Performance Management – within Directorates.
 - Corporate projects, including the introduction of Office 365 and the move to Cloud technology, SAP self-service arrangements for HR and procurement activities and the new Civic Centre.
 - National Fraud Initiative.
 - Key corporate functions/systems, particularly where significant changes / budget reductions are planned or have occurred.
- 1.3 A discussion will be held at the Committee to seek its input for the Risk and Assurance Map, and the plans of work for Internal Audit and Risk and Assurance for 2017/18.

2. Recommendation

- 2.1 The Committee is asked to consider and comment on the areas mentioned above and any additional areas which should be considered.

AUDIT AND GOVERNANCE COMMITTEE

14 December 2018

REVIEW OF THE REMIT AND EFFECTIVENESS OF THE AUDIT AND GOVERNANCE COMMITTEE

Joint Report of the Chair and Executive Director of Corporate Services

1. Purpose of Report

- 1.1 The purpose of this report is to present the outcome of a review of the remit and effectiveness of the Audit and Governance Committee for discussion, amendment and agreement of Members of the Committee, and approve the suggested updated Terms of Reference for the Committee.

2. Background

- 2.1 The first review of the remit and effectiveness of the Committee took place in 2009 when it was decided that the review would be undertaken every three years in line with good practice.
- 2.2 The format of the review has included an update of the self assessment, based on CIPFA guidance issued in 2018, a review of the Terms of Reference for the Committee and consideration of the Annual Reports on the Work of the Committee which have been prepared in the last three years. The review has been undertaken by the Chair and the Executive Director of Corporate Services and the results are presented to Members for discussion, amendment and agreement.

3. Self Assessment

- 3.1 The self assessment has been updated and is attached at Appendix 1. From this it is considered appropriate to slightly update the wording of the Terms of Reference for the Committee in line with CIPFA's latest guidance, the proposed changes to the Terms of Reference are shown at Appendix 2, this does not however change the role or functions of the Committee.
- 3.2 Members will see from the self-assessment that it is considered that the Council's arrangements comply with all of the CIPFA guidance apart from one area. This is due to the requirement for the unaudited statement of accounts having to now be published by the end of May each year. This means that the Committee does not have the opportunity to consider the Annual Governance Statement before it is approved by the Leader, Chief Executive and Executive

Director of Corporate Services given the current timing of committee meetings. A revised schedule of meetings is therefore proposed from February 2019, this is attached at Appendix 3 and includes the transition period. This will allow the committee to meet 4 times a year instead of 6 which would be necessary should an additional meeting be included just to consider the Annual Governance Statement.

- 3.3 The self-assessment refers to the Annual Reports on the Work of the Audit and Governance Committee which show how the CIPFA guidance is being complied with. The reports are considered by the Committee and then presented to Full Council to demonstrate the impact of the Committee's work.

4. Recommendations

- 4.1 The Committee is asked to:

- Consider, discuss and agree the self-assessment at Appendix 1.
- Agree the proposed updated Terms of Reference at Appendix 2.
- Consider and agree the proposed revised schedule of meetings at Appendix 3.

Assessment of the Effectiveness of the Audit and Governance Committee 2018

Issue	Yes	No	Evidence	Proposed Improvement
Purpose and Governance				
1. Have the committee's Terms of Reference been approved by full council?	X		Cabinet 12 th April 2006 Council 17 th May 2006 Updated September 2009, 2012, 2015	
2. Do the Terms of Reference follow the CIPFA guidance?	X		See Terms of Reference	Following issue of updated guidance from CIPFA minor wording changes are proposed at Appendix 2. However, these do not alter the purpose, responsibilities or activity of the Committee.
3. Does the Audit and Governance committee report to Full Council?	X		Annual report on the work of the committee submitted to Full Council	
Assurance Framework				
4. Does the committee consider the assurance framework, assurance documents and annual governance statement to ensure they reflect the risk environment and any action to improve it?	X		Committee receives quarterly reports on the Council and owned company's overall assurance position, in the Risk and Assurance Map. The year-end assurance position is reported along with a draft annual governance statement for inclusion within the statement of accounts and an action plan for suggested improvements to the governance arrangements.	
5. Does the committee monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the Authority's exposure to the risks of fraud and corruption?	X		Quarterly Risk and Assurance Map reports summarise the assurance regarding the overall system of internal control, fraud and corruption (separately identified on the Risk and Assurance Map), and ethics through relevant internal audits and assurance from the Head of Law and Governance and Head of HR and OD on codes of conduct for members and officers and compliance arrangements. Value for Money opinion reported by the External Auditor.	

Assessment of the Effectiveness of the Audit and Governance Committee 2018

Issue	Yes	No	Evidence	Proposed Improvement
6. Does the committee consider the effectiveness of the Council's risk management arrangements and review assurances that risk related issues are being managed?	X		The quarterly Risk and Assurance Map update reports include the updated Strategic and Corporate Risk Profiles which show the current risk scores and the assurances gathered from various sources.	
7. Does the committee approve the internal audit strategy and operational annual plan, based on the Risk and Assurance Map?	X		Meetings in March – see Annual Reports on the work of the Audit and Governance Committee	
8. Does the committee input into the internal audit operational annual plan?	X		Members consulted in December each year prior to the development of the Risk and Assurance Map and Internal Audit and Risk and Assurance team plans	
9. Is the work of Internal Audit reviewed regularly?	X		Risk and Assurance Map update reports presented quarterly to the Committee plus an Annual Report presented which covers the work and performance of Internal Audit (included within the annual review of governance arrangements)	
10. Are summaries of quality questionnaires from managers reviewed?	X		Summary of the scores provided in the Risk and Assurance Map update reports and Annual Report	
11. Is the annual report, from the head of internal audit, presented to the committee?	X		Included within the annual review of governance arrangements	
12. Does the committee ensure that officers are acting on and monitoring action taken to implement recommendations?	X		This is one of the Key Performance Indicators for Internal Audit – area is scrutinised by the Committee. Where necessary, senior managers have been called to the Committee.	

Assessment of the Effectiveness of the Audit and Governance Committee 2018

Issue	Yes	No	Evidence	Proposed Improvement
13. Does the committee take a role in overseeing: <ul style="list-style-type: none"> • Risk management strategies • Internal control statements • Anti-fraud, corruption and whistle blowing policies 	X		Included in the Terms of Reference and included in reports to the Committee	
Financial Reporting				
14. Does the committee review the annual statement of accounts. Specifically, to consider whether concerns arising from the financial statements or from the audit need to be brought to the attention of the Council?	X		In July each year	
15. Does the committee consider the external auditor's report on the statement of the accounts?	X		In July each year	
16. Does the committee review the annual governance statement prior to approval and inclusion within the accounts?		X	The Committee approves the AGS as part of the final Accounts, however with the bringing forward of the timescale for the draft Accounts the AGS is currently not reviewed before they are published.	Timing of committee meetings to be re-considered for 2019/20, see Appendix 3
External Audit Process				
17. Are reports on the work of external audit and other inspection agencies presented to the committee?	X		Update reports from the External Auditor provided to each Committee meeting. Results of Inspection Reports summarised in the External Assurance column of the Risk and Assurance Map and detail provided in update reports where appropriate	
18. Does the committee input into the external audit programme?	X		Members consulted in December each year where the External Auditor is present and Members receive the Annual Opinion Audit Plan	

Assessment of the Effectiveness of the Audit and Governance Committee 2018

Issue	Yes	No	Evidence	Proposed Improvement
Membership				
19. Has the membership of the committee been formally agreed and a quorum set?	X		Included in the Terms of Reference	
20. Is the chair free of executive or scrutiny functions?	X		Chair is co-opted independent member of the committee	
21. Are members sufficiently independent of the other key committees of the council?	X		Only one Cabinet Member on Committee – this maintains a link to the Executive	
22. Have all members' skills and experiences been assessed and training given for identified gaps?	X		Members asked annually if they require refresher/training courses after considering the schedule of reports for the year.	
23. Can the committee access other committees as necessary?	X		Included in the Terms of Reference	
Meetings				
24. Does the committee meet regularly?	X		The Terms of Reference states "at least four times per year". Has been 5 times per year in recent years	
25. Are separate, private meetings held with the external auditor and internal auditor?	X		Where considered necessary, private meetings take place at the end of a committee meeting, these are not included as agenda items	
26. Are meetings free and open without political influences being displayed?	X		Discussions within the minutes	
27. Are decisions reached promptly?	X		Minutes of meetings	

Assessment of the Effectiveness of the Audit and Governance Committee 2018

Issue	Yes	No	Evidence	Proposed Improvement
28. Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	X		Deadlines in place and met	
29. Does the committee have the benefit of attendance of appropriate officers at its meetings?	X		Section 151 officer, head of internal audit and external auditor are regular attendees along with other officers from finance/audit/legal plus those from service areas where appropriate	
30. Do reports provide an appropriate level of detail to enable a level of challenge leading to sound decision making?	X		Reports include a summary of the Council's assurance position in the Risk and Assurance Map with appropriate narrative in the report. Appendices include an update on the Strategic and Corporate Risk Profiles, work of Internal Audit, performance of Internal Audit and the work of the Risk and Assurance team. Statement of Accounts provided along with a verbal update	
Training				
31. Is induction training provided to members?	X		Sessions are held with new members appointed to the committee. Head of internal audit met and briefed Cllr Stewart (16 th July 18) and Cllr Trueman (26 th September 18).	
32. Is more advanced training available as required?	X		Training on Treasury Management and International Financial Reporting Standards has been provided in the past, annual session on statement of accounts is offered	
33. Does the training fulfil Member's needs?	X		Members are offered any training required and can ask questions as required.	

Assessment of the Effectiveness of the Audit and Governance Committee 2018

Issue	Yes	No	Evidence	Proposed Improvement
Effectiveness of the Committee				
34. Does the committee engage with a wide range of leaders and managers, including discussions of audit findings, risks and action plans with responsible officers?	X		<p>Officers are invited to the committee where appropriate to provide information on specific issues identified within the Risk and Assurance Map reports. Examples include:</p> <ul style="list-style-type: none"> • ICT disaster recovery/business continuity • Children's Safeguarding • Adults Personal budgets • Corporate Asset Management <p>See Annual Reports on the work of the committee</p>	
35. Does the committee promote the principles of good governance?	X		Reviews the annual governance statement and the assurances that underpin it	
36. Does the committee contribute to the development of an effective internal control environment?	X		The committee actively monitors the implementation of audit recommendations and calls officers to provide explanations where performance is below that expected. Significant recommendations are specifically monitored to ensure that appropriate action is taken promptly	

Terms of Reference – Audit and Governance Committee

Composition

Membership

The Audit and Governance Committee will be composed of 7 Members as follows:

5 elected Members on a political balance basis;
2 Co-opted Members.

There will be no more than one Member of the Cabinet on the Committee.

Chairing the Committee

The Chairman will be one of the Co-opted Members.

In the absence of both Co-opted members the attending members may agree a Chair for the specific meeting from those attending except the member of Cabinet

Statement of Purpose

The Audit and Governance Committee is a key component in the Council's Corporate Governance Arrangements. Its main objectives are to:

Original wording

- | |
|--|
| <ul style="list-style-type: none">- provide independent assurance of the adequacy of the risk management framework and the associated control environment;- independent scrutiny of the authority's financial and other performance to the extent that it reflects the authority's exposure to risk and weakens the control environment;- oversee the financial reporting process. |
|--|

Proposed wording

- | |
|---|
| <ul style="list-style-type: none">- Provide an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.- Provide independent assurance on the adequacy of the risk management framework and the internal control environment.- Oversee the annual financial reporting and governance processes.- Oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. |
|---|

Functions

To carry out the following delegated functions from Council:

- a) to approve the Authority's Statement of Accounts, income and expenditure, and balance sheet or record of receipts and payments (as the case may be).

In relation to the following functions to undertake the assurance and advisory role to:

New Wording

- b) Review the council's corporate governance arrangements and consider the local code of governance;

- c) consider the effectiveness of the authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;

Original wording

- d) be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;

Proposed wording

- d) review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control;

- e) to receive and consider (but not direct) internal audit's strategy, plan and monitor performance;

- f) receive and consider the external audit plan;

- g) review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary;

Original Wording

- h) receive and consider the annual report of internal audit;

Proposed wording

- | |
|--|
| h) receive and consider the reports providing assurances on the management of the Council's key risks; |
|--|
- i) consider the reports of external audit and inspection agencies, including the Annual Audit Letter;
 - j) ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
 - k) review the external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit;
 - l) review the adequacy of and compliance with, the Councils Treasury Management Policy;

and make recommendations or comments to Cabinet or Council as appropriate.

Features of the Committee

- a) The Committee will exercise delegated powers from Council in relation to item a) above and in relation to the remaining functions act as an advisory committee.
- b) The Committee will treat the auditors, the executive and management fairly.
- c) The Committee can call any officer or agency of the Council as required.
- d) The Committee will meet regularly, at least four times per year.

Original Wording

- | |
|--|
| e) The Director of Finance, Council's head of internal audit and the external auditor will be regular attendees. Other attendees may include the Head of Law and Governance and the Chief Executive. These officers all have access to the Committee, or the Chair, as required. |
|--|

Proposed wording

- | |
|---|
| e) The Executive Director of Corporate Services, Council's head of internal audit and the external auditor will be regular attendees. Other attendees may include the Head of Law and Governance and the Chief Executive. These officers all have access to the Committee, or the Chair, as required. |
|---|

- f) The Committee members will have the opportunity to meet privately and informally with the head of internal audit and the external auditor, at a meeting following a normal Committee meeting, and otherwise as necessary, throughout the year.
- g) The Committee will assess its effectiveness, including its Terms of Reference, every three years.
- h) An Annual Report will be presented to Council regarding the work of the Committee throughout the year.

**Forward Plan of Reports
Audit and Governance Committee 2019/20**

Month	Brief Description	Report of
8 th February 2019	Proposed Forward Plan of Reports 2019/20	Executive Director of Corporate Services
	Member Training and Development	Executive Director of Corporate Services
	Treasury Management Strategy and Policy for 2019/20 including Treasury Management Prudential Indicators for 2019/2020 to 2021/20220	Executive Director of Corporate Services
	Audit Strategy Memorandum 2018/19	External Auditor
	Audit Progress Report	External Auditor
April 2019	Annual Review of Governance Arrangements / Annual Governance Statement 2018/19 - including Annual Report covering work of Internal Audit and Risk and Assurance teams <i>(This will allow the Committee to agree the Annual Governance Statement before being approved for inclusion in the Unaudited Statement of Accounts at the end of May 2019)</i>	Executive Director of Corporate Services
	Risk and Assurance Map Report 2019/20 – including the plans of work for Internal Audit and Risk and Assurance <i>(The Committee will have already been consulted on items to include within the plans for the year. Any further comments at this meeting can be incorporated into the plan)</i>	Head of Assurance, Procurement and Performance Management
July 2019	Risk and Assurance Map – Update 2019/20	Head of Assurance, Procurement and Performance Management
	Annual Report on the Work of the Committee	Executive Director of Corporate Services
	Audited Statement of Accounts 2018/19	Executive Director of Corporate Services
	Treasury Management Annual Review 2018/19	Executive Director of Corporate Services
	Treasury Management 2019/20 - First Quarterly Review	Executive Director of Corporate Services

**Forward Plan of Reports
Audit and Governance Committee 2019/20**

Month	Brief Description	Report of
September 2019	Risk and Assurance Map – Update 2019/20	Head of Assurance, Procurement and Performance Management
	Treasury Management 2019/20 – Second Quarterly Review	Executive Director of Corporate Services
	Annual Audit Letter 2018/19	External Auditor
	Audit Progress Report	External Auditor
February 2020	Risk and Assurance Map – Update 2019/20	Head of Assurance, Procurement and Performance Management
	Risk and Assurance Map Consultation 2010/21	Head of Assurance, Procurement and Performance Management
	Treasury Management 2019/20 – Third Quarterly Review	Executive Director of Corporate Services
	Treasury Management Strategy and Policy for 2020/21 including Treasury Management Prudential Indicators for 2020/2021 to 2022/2023	Executive Director of Corporate Services
	Audit Strategy Memorandum 2019/20	External Auditor
	Audit Progress Report	External Auditor

Note: Other ad-hoc reports/items shall be added to the Agenda where considered necessary

AUDIT AND GOVERNANCE COMMITTEE

14 December 2018

TREASURY MANAGEMENT – THIRD QUARTERLY REVIEW 2018/2019

Report of the Executive Director of Corporate Services

1. Purpose of Report

- 1.1 To report on the Treasury Management (TM) performance to date for the third quarter of 2018/2019.

2. Description of Decision (Recommendations)

- 2.1 The Committee is requested to:

- Note the Treasury Management performance during Quarter 3 of 2018/2019.
- Note the Lending List Criteria at Appendix B and the Approved Lending List at Appendix C.

3. Introduction

- 3.1 This report sets out the Treasury Management performance to date for the third quarter of the financial year 2018/2019, in accordance with the requirements of the Treasury Management Policy and Strategy agreed by Council.

4. Summary of Treasury Management Performance for 2018/2019 – Quarter 3

- 4.1 The Council's Treasury Management function continues to look at ways to maximise financial savings and increase investment return to the revenue budget, whilst maintaining a balanced risk position. PWLB rates continue to be volatile, in part linked to uncertainty over the outcome of Brexit negotiations. No new borrowing has been taken out to date during 2018/2019 but the position continues to be monitored closely.
- 4.2 One option to make savings is through debt rescheduling; however no rescheduling has been possible in 2018/2019 as rates have not been considered sufficiently favourable. It should be noted the Council's interest rate on borrowing is very low, currently 3.20%, and, as such, the Council already benefits from this lower cost of borrowing and also from the ongoing savings from past debt rescheduling exercises. Based on advice from the

Council's treasury advisor, performance continues to see the Council's rate of borrowing compare favourably to other authorities.

- 4.3 Treasury Management (TM) Prudential Indicators are regularly reviewed and the Council is within the limits set for all of its TM Prudential Indicators. The statutory limit under section 3 (1) of the Local Government Act 2003, which is required to be reported separately, (also known as the Authorised Borrowing Limit for External Debt) was set at £584.123m for 2018/2019. The Council's maximum external debt during the financial year to 30th November 2018 was £396.136m and is well within this limit. More details of all of the TM Prudential Indicators are set out in section A2 of Appendix A for information.
- 4.4 The Council's investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions which will benefit the Council.
- 4.5 As at 30th November 2018, the funds managed by the Council's Treasury Management team have achieved a rate of return on its investments of 0.91% compared with the benchmark 7 Day LIBID (London Interbank Bid) rate of 0.47%. Performance is significantly above the benchmark rate, whilst still adhering to the prudent policy agreed by the Council, in what remains a very challenging market.

The rate of return on investments has remained at the very low levels seen in previous years although there has been some upward movement since the increase in the base rate to 0.75% announced by the Bank of England at its Monetary Policy Committee meeting on 1st August 2018. Special tranche investment rates (which offer better than market average returns) have risen slightly since the increase to the base rate and interest rates are continuously monitored so that the Council can take advantage where appropriate.

- 4.6 More detailed Treasury Management information is included in Appendix A for Members' information.
- 4.7 The regular updating of the Council's authorised lending list is required to take into account financial institution mergers and changes in institutions' credit ratings since the last report. The updated Approved Lending List is shown in Appendix C for information.

5. Recommendation

- 5.1 Members are requested to note the Treasury Management performance for the third quarter of 2018/2019.
- 5.2 Members are requested to note the Lending List Criteria at Appendix B and the Approved Lending List at Appendix C.

Detailed Treasury Management Performance – Quarter 3 2018/2019

A1 Borrowing Strategy and Performance – 2018/2019

- A1.1 The Borrowing Strategy for 2018/2019 was reported to Cabinet on 7th February 2018 and approved by full Council on 7th March 2018.

The Borrowing Strategy is based upon interest rate forecasts from a wide cross section of City institutions. The view in February 2018, when the Treasury Management Policy and Strategy was drafted, was that there would be further increases from the current 0.50% rate of 0.25% by the end of 2018, 2019 and late summer 2020. PWLB borrowing rates were expected to rise, albeit gently, during 2018/2019 across all periods but could be subject to exceptional levels of volatility due to uncertainty over the outcome of Brexit negotiations and geopolitical developments throughout the world.

In his 2018 Autumn Budget on 29th October, the Chancellor announced the end of austerity based on the improved financial forecasts from the Office for Budget Responsibility (OBR). GDP growth forecasts are 1.4% for 2018, 1.6% in 2019 and 1.4% in 2020. Public Sector Net Borrowing forecasts have also been updated with the 2019/2020 deficit of £31.8bn (down from £34.7bn forecast in the 2017 Autumn Budget) below 1.4% of GDP. The annual Net Borrowing is projected to continue falling each year to around £19.8bn in 2023/2024. Total Public Sector Net Debt peaked at 85.2% of GDP in 2016/2017 before falling to 85.0% in 2017/2018, 83.7% in 2018/2018 and is forecast to stand at 74.1% in 2023/2024.

Subsequently, at its meeting ending on 31st October 2018, the BoE Monetary Policy Committee (MPC) voted unanimously to maintain Bank Rate at 0.75% based on economic projections finalised before the measures announced by the Chancellor. The labour market remains tight with high employment and vacancy rates and unemployment at its lowest levels since the mid-1970s. The economic outlook will depend significantly on the nature of EU withdrawal and in particular the new trading arrangements and the transition to them. The MPC judges monetary policy response to Brexit, whatever form it takes, will not be automatic and could be in either direction. The MPC felt that were the economy to continue to develop broadly in line with its Inflation Report projections, an ongoing tightening of monetary policy over the forecast period would be appropriate to return CPI inflation sustainably to the 2% target by 2020. Any future increases in Bank Rate are likely to be at a gradual pace and to a limited extent.

Accordingly, Link Asset Services, the Authority's treasury advisors, do not think that the MPC will increase Bank Rate ahead of the March 2019 Brexit deadline. They predict that the MPC is more likely to wait until June 2019, before the next increase, to be followed by further increases in March and December 2020 to reach 1.5%.

With Brexit negotiations continuing and potential for geopolitical events outside the control of the UK government, economic and interest rate forecasting remains very difficult as there are many influences weighing on the UK economy. Whilst the UK Government has reached an agreement with the EU on the terms of Brexit there is no guarantee this will be approved by Parliament, in which case Britain could leave the EU without a deal. The BoE Governor has warned that a No-Deal Brexit could see the

pound plunge and trigger a worse recession than the financial crisis. This worst-case scenario predicts the pound could fall by 25% and the UK economy shrinks by 8% in the immediate aftermath if there was no transition period.

Link Asset Services predict a gradual rise in PWLB rates reaching 2.10%, 2.50%, 2.90% and 2.70% for 5, 10, 25 and 50 year durations respectively by 31st March 2019 with further increases in future years. High levels of volatility in PWLB rates and bond yields are expected to continue during 2018 and 2019 particularly due to the continued uncertainty over the outcome of the Brexit negotiations.

The following table shows the average PWLB rates for Quarter 1 to 3 to date.

2018/2019	Qtr 1* (Apr - June) %	Qtr 2* (Jul – Sept) %	Qtr 3* (Oct – 30th Nov) %
7 days notice	0.36	0.51	0.58
1 year	1.44*	1.48*	1.55*
5 year	1.86*	1.83*	1.87*
10 year	2.29*	2.22*	2.29*
25 year	2.66*	2.62*	2.79*
50 year	2.40*	2.42*	2.65*

*rates take account of the 0.2% discount to PWLB rates available to eligible authorities that came into effect on 1st November 2012.

A1.2 The strategy for 2018/2019 is to adopt a pragmatic and flexible 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 3.50% for long-term borrowing was set for 2018/2019 in light of the views prevalent at the time the Treasury Management policy was set in March 2018. Due to high levels of volatility in the financial markets, with borrowing rates still forecast to remain low over the short term, no new borrowing has been undertaken in the current financial year up to 30th November 2018, but the Treasury Management team continues to closely monitor PWLB to assess the value of possible further new borrowing in line with future Capita Programme requirements.

A1.3 The Borrowing Strategy for 2018/2019 made provision for debt rescheduling but due to the proactive approach taken by the Council in recent years, and because of the very low underlying rate of the Council's long-term debt, it would be difficult to refinance long-term loans at interest rates lower than those already in place.

Rates have not been sufficiently favourable for rescheduling in 2018/2019 so far and the Treasury Management team will continue to monitor market conditions and secure early redemption if appropriate opportunities should arise.

The Council successfully applied to access PWLB loans at a discount of 0.20%. This 'certainty rate' is available for those authorities that provide "improved information and transparency on their locally determined long-term borrowing and associated capital spending plans". The discount came into effect on 1st November 2012 and the Council has been successful in extending its access to the PWLB certainty rate until at least 31st October 2019.

A1.4 The Council's treasury portfolio position at 30th November 2018 is set out below:

		Principal (£m)	Total (£m)	Average Rate (%)
Borrowing				
Fixed Rate Funding	PWLB	238.7		
	Market	39.6		
	Other	8.7	287.0	3.45
Variable Rate Funding	Temporary / Other		27.6	0.54
Total Borrowing			314.6	3.20

A2 Treasury Management Prudential Indicators – 2018/2019

A2.1 All external borrowing and investments undertaken in 2018/2019 have been subject to the monitoring requirements of the Prudential Code. Under the Code, Authorities must set borrowing limits (Authorised Borrowing Limit for External Debt and Operational Boundary for External Debt) and must also report on the Council's performance for all of the other TM Prudential Indicators.

A2.2 The statutory limit under section 3(1) of the Local Government Act 2003 (which is also known as the Authorised Borrowing Limit for External Debt) was set by the Council for 2018/2019 as follows:

	£m
Borrowing	505.092
Other Long-Term Liabilities	79.031
Total	<u>584.123</u>

The Operational Boundary for External Debt was set as shown below:-

	£m
Borrowing	480.092
Other Long Term Liabilities	79.031
Total	<u>559.123</u>

The Council's maximum external debt in respect of 2018/2019 (to 30th November 2018) was £396.136m and is well within the limits set by both of these key indicators.

A2.3 The table below shows that all other Treasury Management Prudential Indicators have been complied with:

Prudential Indicators		2018/2019 (to 30/11/18)	
		Limit £'000	Actual £'000
P9	Upper limit for fixed interest rate exposure		
	Net principal re fixed rate borrowing / investments	350,000	250,087
P10	Upper limit for variable rate exposure		
	Net principal re variable rate borrowing / investments	58,000	-7,702

P11	Maturity Pattern	Upper Limit	
	Under 12 months	50%	10.63%
	12 months and within 24 months	60%	2.21%
	24 months and within 5 years	80%	6.25%
	5 years plus	100%	82.96%
	A lower limit of 0% for all periods		
P12	Upper limit for total principal sums invested for over 364 days	75,000	0

A3 Investment Strategy – 2018/2019

A3.1 The Investment Strategy for 2018/2019 was approved by Council on 7th March 2018. The general policy objective for the Council is the prudent investment of its treasury balances. The Council's investment priorities in order of importance are:

- (A) The **security** of capital;
- (B) The **liquidity** of its investments and then;
- (C) The Council aims to achieve the **optimum yield** on its investments but this is commensurate with the proper levels of security and liquidity.

A3.2 As at 30th November 2018, the funds managed by the Council's in-house team amounted to £137.380 million and all investments complied with the Annual Investment Strategy. This includes monies invested on behalf of all other external organisations. The table below shows the return received on these investments compared with the benchmark 7 Day LIBID (London Interbank Bid) rate, which the Council uses to assess its performance.

	2018/2019 Actual to 30/11/18 %	2018/2019 Benchmark to 30/11/18 %
Return on investments	0.91	0.47

A3.3 Investments placed in 2018/2019 have been made in accordance with the approved investment strategy and comply with the Counterparty Criteria in place, shown in Appendix B, which is used to identify organisations on the Approved Lending List.

A3.4 Investment rates available in the market remain lower than those achieved in previous years, although there has been some upward movement since the Bank of England Monetary Policy Committee announced the 0.25% increase in the base rate to 0.75% on 1st August 2018.

A3.5 Due to the continuing high volatility within the financial markets, particularly in the Eurozone, advice from our Treasury Management advisers is to continue to restrict investments with all financial institutions to shorter term periods.

A3.6 Advice also continues that the above guidance is not applicable to institutions considered to be very low risk, mainly where the government holds shares in these organisations (i.e. RBS) and therefore have the UK Government rating applied to them, or separately in respect of Money Market Funds which are AAA rated.

A3.7 The regular updating of the Council's authorised Lending List is required to take into account financial institution mergers and changes in institutions' credit ratings. On 5th October 2018 the Standard Life and Aberdeen Money Market Funds merged to form the Aberdeen Liquidity Fund (Lux) and this change is reflected on the Approved Lending List shown in Appendix C.

Counterparty Criteria

The Council takes into account not only the individual institution's credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's), but also all available market data and intelligence, the level of government support and advice from its Treasury Management advisers.

Set out below are the criteria to be used in determining the level of funds that can be invested with each institution. Where an institution is rated differently by the rating agencies, the lowest rating will determine the level of investment.

Fitch / S&P's Long Term Rating	Fitch Short Term Rating	S&P's Short Term Rating	Moody's Long Term Rating	Moody's Short Term Rating	<u>Maximum Deposit</u> £m	<u>Maximum Duration</u>
AAA	F1+	A1+	Aaa	P-1	120	2 Years
AA+	F1+	A1+	Aa1	P-1	100	2 Years
AA	F1+	A1+	Aa2	P-1	80	2 Years
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	75	2 Years
A+	F1	A-1	A1	P-1	70	364 days
A	F1 / F2	A-1 / A-2	A2	P-1 / P-2	65	364 days
A-	F1 / F2	A-2	A3	P-1 / P-2	50	364 days
Local Authorities (limit for each local authority)					30	2 years
UK Government (including debt management office, gilts and treasury bills)					350	2 years
Money Market Funds Maximum amount to be invested in Money Market Funds is £120m with a maximum of £50m in any one fund.					120	Liquid Deposits
Local Authority controlled companies (# duration limited to 20 years in accordance with Capital Regulations)					20	# 20 years

Where the UK Government holds a shareholding in an institution the UK Government's credit rating of AA will be applied to that institution to determine the amount the Council can place with that institution for a maximum period of 2 years.

The Code of Practice for Treasury Management in the Public Services recommends that consideration should also be given to country, sector, and group limits in addition to the individual limits set out above. These new limits are as follows:

Country Limit

It is proposed that only non-UK countries with a minimum sovereign credit rating of AA+ by all three rating agencies will be considered for inclusion on the Approved Lending List.

It is also proposed to set a total limit of £100m which can be invested in other countries provided they meet the above criteria. A separate limit of £350m will be applied to the United Kingdom and is based on the fact that the government has done and is willing to take action to protect the UK banking system.

Country	Limit £m
UK	350
Non-UK	100

Sector Limit

The Code recommends a limit be set for each sector in which the Council can place investments. These limits are set out below:

Sector	Limit £m
Central Government	350
Local Government	350
UK Banks	350
Money Market Funds	120
UK Building Societies	100
Foreign Banks	100

Group Limit

Where institutions are part of a group of companies e.g. Lloyds Banking Group and RBS, then total limit of investments that can be placed with that group of companies will be determined by the highest credit rating of a counterparty within that group, unless the government rating has been applied. This will apply provided that:

- the UK continues to have a sovereign credit rating of AA; and
- that market intelligence and professional advice is taken into account.

Proposed group limits are set out in Appendix C.

Approved Lending List

Appendix C

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
UK	AA	-	Aa2	-	AA	-	350	2 years
Lloyds Banking Group							Group Limit 70	
Lloyds Bank Plc (RFB)	A+	F1	Aa3	P-1	A+	A-1	70	364 days
Lloyds Bank Corporate Markets plc (NRFB)	A	F1	A1	P-1	A	A-1	70	364 days
Bank of Scotland Plc (RFB)	A+	F1	Aa3	P-1	A+	A-1	70	364 days
Royal Bank of Scotland Group (See Note 1)							Group Limit 80	
The Royal Bank of Scotland Plc (RFB)	A-	F2	A1	P-1	A-	A-2	80	2 years
National Westminster Bank Plc (RFB)	A-	F2	A1	P-1	A-	A-2	80	2 years
NatWest Markets plc (NRFB)	BBB+	F2	Baa2	P-2	BBB+	A-2	80	2 years
Santander UK plc	A	F1	Aa3	P-1	A	A-1	65	364 days
Barclays Bank plc (NRFB)	A	F1	A2	P-1	A	A-1	65	364 days
Barclays Bank plc (RFB)	A	F1	A1	P-1	A	A-1	65	364 days
Clydesdale Bank *	BBB+	F2	Baa1	P-2	BBB+	A-2	0	
Co-Operative Bank Plc	B	B	Caa1	NP	-	-	0	
Goldman Sachs International Bank	A	F1	A1	P-1	A+	A-1	65	364 days
HSBC Bank plc (NRFB)	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
HSBC UK Bank plc (RFB)	AA-	F1+	-	-	AA-	A-1+	75	2 years
Nationwide BS	A	F1	Aa3	P-1	A	A-1	65	364 days
Standard Chartered Bank	A+	F1	A1	P-1	A	A-1	65	364 days
Top Building Societies (by asset value)								
Nationwide BS (see above)								
Coventry BS	A	F1	A2	P-1	-	-	65	364 days
Leeds BS	A-	F1	A3	P-2	-	-	50	364 days
Nottingham BS **	-	-	Baa1	P-2	-	-	0	
Principality BS **	BBB+	F2	Baa2	P-2	-	-	0	

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Skipton BS **	A-	F1	Baa1	P-2	-	-	0	
West Bromwich BS **	-	-	Ba3	NP	-	-	0	
Yorkshire BS **	A-	F1	A3	P-2	-	-	50	364 days
Money Market Funds							120	Liquid
Prime Rate Stirling Liquidity	AAA				AAA		50	Liquid
Insight Liquidity Fund	AAA		-		AAA		50	Liquid
Aberdeen Liquidity Fund (Lux)	AAA		AAA		AAA		50	Liquid
Deutsche Managed Sterling Fund	AAA		Aaa		AAA		50	Liquid
Foreign Banks have a combined total limit of £100m								
Australia	AAA		Aaa		AAA		100	2 years
Australia and New Zealand Banking Group Ltd	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Commonwealth Bank of Australia	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
National Australia Bank	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Westpac Banking Corporation	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Canada	AAA		Aaa		AAA		100	2 years
Bank of Nova Scotia	AA-	F1+	Aa2	P-1	A+	A-1	70	364 days
Royal Bank of Canada	AA	F1+	Aa2	P-1	AA-	A-1+	75	2 years
Toronto Dominion Bank	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Finland	AA+		Aa1		AA+		100	2 years
OP Corporate Bank plc	-	-	Aa3	P-1	AA-	A-1+	75	2 years
Germany	AAA		Aaa		AAA		100	2 years
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+	100	2 years
NRW Bank	AAA	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Netherlands	AAA		Aaa		AAA		100	2 years
Bank Nederlandse Gemeenten	AA+	F1+	Aaa	P-1	AAA	A-1+	100	2 years
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)	AA-	F1+	Aa3	P-1	A+	A-1	70	364 days

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Nederlandse Waterschapsbank N.V	-	-	Aaa	P-1	AAA	A-1+	100	2 years
Singapore	AAA		Aaa		AAA		100	2 years
DBS Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Oversea Chinese Banking Corporation Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
United Overseas Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Sweden	AAA		Aaa		AAA		100	2 years
Svenska Handelsbanken AB	AA	F1+	Aa2	P-1	AA-	A-1+	75	2 years
USA	AAA		Aaa		AA+		100	2 years
Bank of New York Mellon	AA	F1+	Aa1	P-1	AA-	A-1+	75	2 years
JP Morgan Chase Bank NA	AA	F1+	Aa1	P-1	A+	A-1	70	364 days
Wells Fargo Bank NA	AA-	F1+	Aa1	P-1	A+	A-1	70	364 days

Notes

Note 1

Nationalised / Part Nationalised

The counterparties in this section will have the UK Government's AA rating applied to them thus giving them a credit limit of £80m.

* The Clydesdale Bank (under the UK section) is owned by National Australia Bank

** These will be revisited and used only if they meet the minimum criteria (ratings of A- and above)

Any bank which is incorporated in the United Kingdom and controlled by the Prudential Regulation Authority (PRA) is classed as a UK bank for the purposes of the Approved Lending List.

Audit progress report
Sunderland City Council
December 2018





CONTENTS

1. **Audit progress**
2. **National publications**

This document is to be regarded as confidential to Sunderland City Council. It has been prepared for the sole use of the Audit and Governance Committee. 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.

1. AUDIT PROGRESS

Purpose of this report

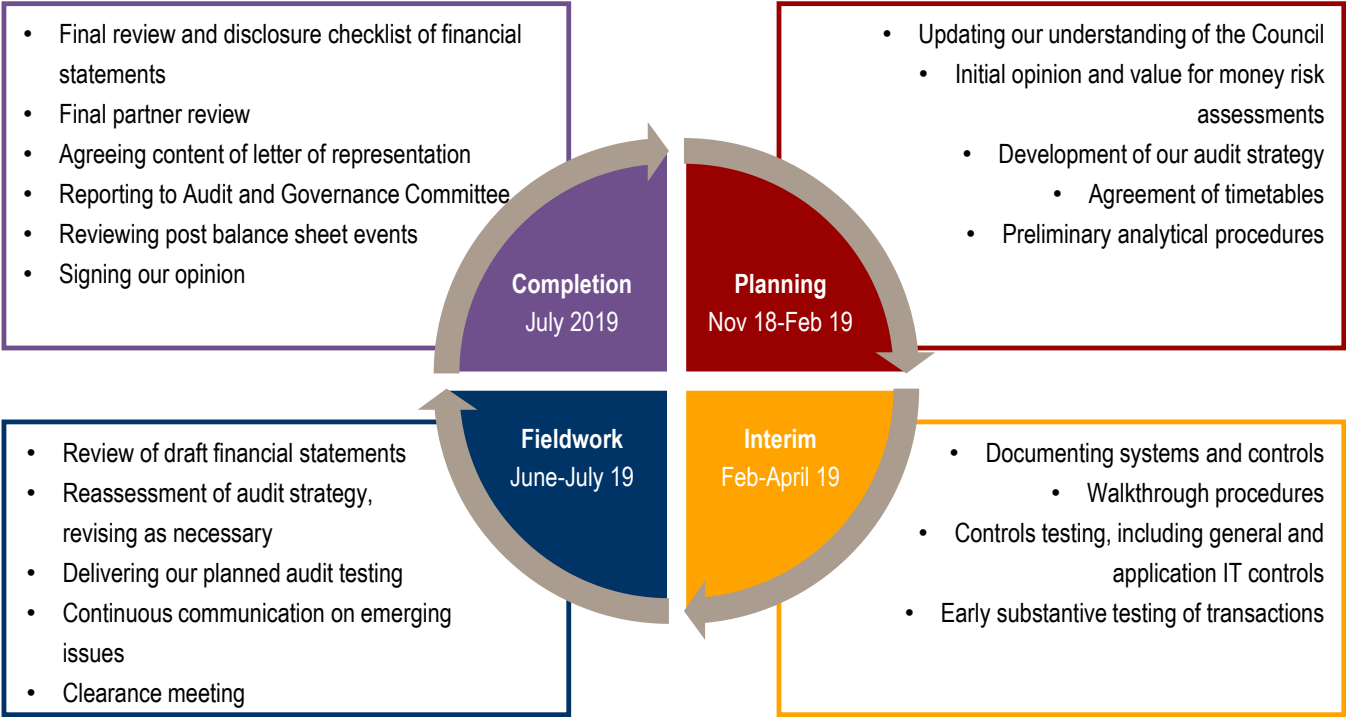
This report provides the Audit and Governance Committee with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

Our key audit stages are summarised in the diagram shown below. Upon completion of our initial planning and risk assessment, we will present our Audit Strategy Memorandum to the Audit and Governance Committee for discussion, early in 2019.

Specific work in this period included the 2017/18 housing benefits subsidy return certification work and other assurance work which is detailed further overleaf.

We are also reviewing Internal Audit against the Public Sector Internal Audit Standards.



1. AUDIT PROGRESS

Housing Benefits Subsidy return 2017/18

In 2017/18 the prescribed tests for our Housing Benefits work were set out in the HBCOUNT module and BEN01 Certification Instructions issued by PSAA. On completion of the specified work we issue a certificate. The certificate states whether the claim has been certified either: without qualification; without qualification following amendment by the Council; or with a qualification letter. Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

Sunderland City Council's 2017/18 Housing Benefits Subsidy return was submitted with a qualification letter as summarised below.

Return	Value	Amended?	Qualification letter?	Commentary
Housing Benefits Subsidy return	£117,923,387	Yes	Yes	We identified two issues reported in our qualification letter as summarised below. <ul style="list-style-type: none">- A software issue that we reported last year which is not yet fully resolved.- Additional testing in respect of an error identified for rent allowances expenditure.

We did not highlight any significant issues for improvement.

We welcome the assistance provided by officers with this work, which enables us to complete our certification work as efficiently and effectively as possible.

Fees – Housing Benefits Subsidy return

PSAA set an indicative fee for our work on the Council's Housing Benefits Subsidy return. We confirm the final fee payable for this work as outlined in the following table below is in line with the indicative fee.

Return	2017/18 fee <i>Indicative</i>	2016/17 fee	2015/16 fee
Housing Benefits Subsidy return	£9,309	£7,725	£9,309

Non-code assurance work

In this period, we have also completed work in respect of two other returns for 2017/18, namely:

- Teachers' Pensions return (fee of £3,850 which is the same as the previous year); and
- Skills Funding Agency (fee of £3,550 which is also the same as the previous year).

Again, we appreciate the assistance provided by officers in enabling us to carry out our work efficiently and effectively

2. NATIONAL PUBLICATIONS

	Publication/update	Key points
Public Sector Audit Appointments Ltd (PSAA)		
1	Report on the results of auditors' work 2017/18: Principal local government and police bodies	This Council met the deadline. Report notes encouraging results across the country.
2	Consultation on 2019/20 scale of fees for opted-in bodies	2019/20 fees proposed to remain the same as 2018/19, being £104,546 for this Council.
3	Oversight of audit quality, quarterly compliance reports	No significant issues
Chartered Institute of Public Finance and Accountancy (CIPFA)		
4	Statement expressing concerns with Councils funding commercial investment through borrowing	CIPFA statement and link to article.

2. NATIONAL PUBLICATIONS

1. Report on the results of auditors' work 2017/18: Principal local government and police bodies, Public Sector Audit Appointments Limited

The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers at 495 principal local government and police bodies for 2017/18. For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 87 per cent of audited bodies received an audit opinion by the new deadline.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

All the opinions issued to date in relation to bodies' financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The most common reasons for auditors issuing non-standard conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates – 16 bodies;
- corporate governance issues – 12 bodies;
- financial sustainability concerns – 6 bodies; and
- procurement/contract management issues – 5 bodies.

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

2. Consultation on 2019/20 scale of fees for opted-in bodies, Public Sector Audit Appointments Ltd

Public Sector Audit Appointments (PSAA) has published its consultation on the 2019/20 scale of fees for principal local government bodies that have opted into the appointing person arrangements. The consultation proposes that scale audit fees for 2019/20, the second year of the five-year appointing period, should remain the same as the fees applicable for 2018/19. PSAA will review and update its assumptions and estimates each year, and consult on scale fees for the following year.

<https://www.psaa.co.uk/audit-fees/2019-2020scaleoffees/>

3. Oversight of audit quality, quarterly compliance reports 2017/18 Public Sector Audit Appointments Ltd

There are no significant issues arising in the latest quarterly compliance report issued by PSAA.

<https://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality>

4. Statement expressing concerns with Councils funding commercial investment through borrowing, CIPFA

The Committee may be interested to note the CIPFA statement issued recently expressing concerns around commercial investment. The statement raises concerns with potential practices related to borrowing to fund commercial investment. CIPFA confirm in the statement that they will be issuing further guidance on the issue shortly.

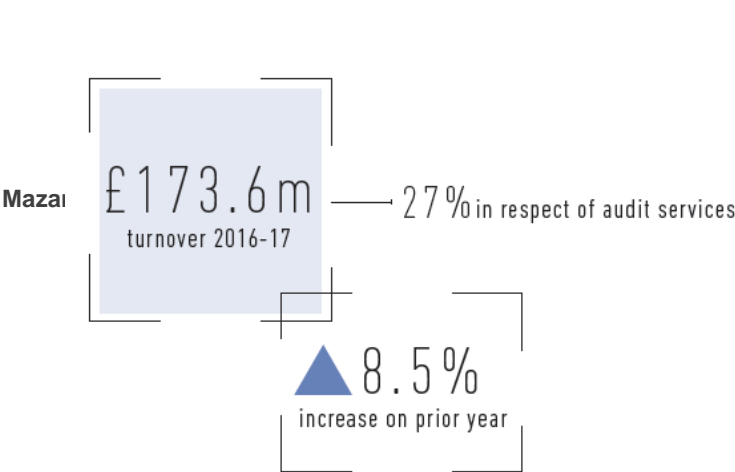
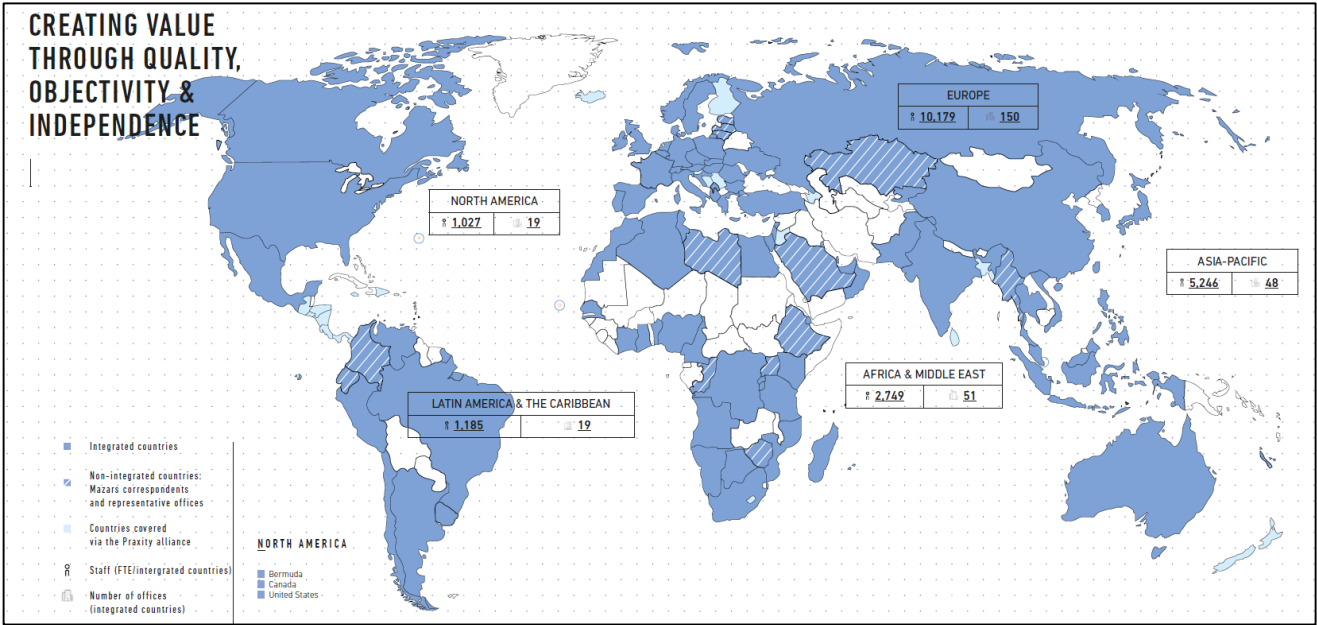
<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/statement-from-cipfa-on-borrowing-in-advance-of-need-and-investments-in-commercial-properties>

<https://www.publicfinance.co.uk/news/2018/10/cipfa-warns-councils-over-serious-commercial-activity-concerns>

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