

**ANNUAL REPORT ON THE WORK OF THE COMMITTEE 2017/18**

**Report of the Head of Assurance, Procurement and Performance Management**

**1. Purpose of Report**

- 1.1 This report provides a summary of the work undertaken by the Audit and Governance Committee during 2017/18 and the outcome of this work. The purpose of this report is to demonstrate how the Committee has fulfilled its role and will be presented to Council once agreed by this committee.

**2. Role of the Committee**

- 2.1 The Audit and Governance Committee is a key component in the Council's Corporate Governance Arrangements. Its role is 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);
  - 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;
  - 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;
  - receive, consider and monitor reports on treasury management policy, strategy and practices.

**3. Matters Considered**

- 3.1 The Committee has met six times in the year. The meeting held in May 2017 was to complete the business of 2016/17 as the scheduled meeting in March 2017 had to be cancelled due to the closure of the Civic Centre. Appropriate officers of the Council have been in attendance at the meetings to present reports and provide additional information in order to clarify issues and respond to questions from members of the Committee. Regular attendees at the meetings were the Executive Director of Corporate Services, Head of Assurance, Procurement and Performance Management, Chief Accountant, Assistant Head of Assurance and the Council's External Auditors.

3.2 To enable the Committee to fulfil its role as set out in paragraph 2.1, a range of reports were considered, as follows:

- a) The Committee endorsed the Risk and Assurance Map for 2017/18 which sets out the key risk areas for the Council, the assurance that would be gathered in relation to them and where the assurance would be sought from. The report included the plans of work for the year for the Internal Audit and Risk and Assurance teams, and the performance indicators for Internal Audit. The Committee was also given the opportunity to identify any areas of work to be considered for the year.
- b) Progress reports in relation to the Risk and Assurance Map were presented on a quarterly basis. These provided details of the level of assurance for the strategic and corporate risk areas from management, specialist assurance functions, Internal Audit, Risk and Assurance, the external auditor and other external agencies.
- c) Specific key issues were highlighted within the Risk and Assurance Map update reports for members to consider further, specifically in relation to the improvement of the Council's Children's Safeguarding service. This had been raised as a concern by OFSTED and the Director of Children's Services attended the Committee meeting in May 2017 to provide an update on progress with members of the Committee enquiring as to further developments needed. The Head of Customer Service, Intelligence and ICT provided updates on the Council's ICT disaster recovery arrangements and assurance as to the improvements put in place, members of the Committee queried the working arrangements with services across the Council. In March 2018, the Head of Customer Service, Intelligence and ICT provided details of the full disaster recovery test that had been conducted the previous month where the Council's ICT provision had been transferred to its back up site. A number of valuable lessons had been learnt that would enable to arrangements to be strengthened further for the future.
- d) Internal Audit continued to provide updates in relation to the ICT disaster recovery arrangements and an updated opinion of the Council's arrangements to protect itself from cyber-attacks, assurance was provided that significant improvements had been made in this area.
- e) The Risk and Assurance Map update report in December 2017 identified issues regarding the systems for Adult Social Care Personal Budgets. The Head of Adult Social Care provided a comprehensive update on the improvements that were planned to address the issues highlighted. Various questions were asked by the members of the Committee and assurance was given that Internal audit were to continue to support officers to implement the recommendations.

- f) The Committee received an updated Strategic Risk Profile following a refresh of the Corporate Plan Delivery Plan.
- g) External Auditors provided progress reports to each meeting, the Annual Audit Letter, Audit Completion report, and the Review of the Council's arrangements for securing value for money. These reports provided a very positive opinion and members of the committee commented that they found the reports to be re-assuring. The External Auditor also presented their Audit Strategy Memorandum setting out their work for the coming year.
- h) The results of the Annual Governance Review for 2016/17 were presented, which summarises the overall governance arrangements in place within the Council, and made recommendations for further improvement. The head of internal audit's opinion on the Council's internal control environment was positive. The resultant Annual Governance Statement highlighted the good corporate governance arrangements in place, apart from those in relation to Children's Safeguarding and was approved by the Committee and included within the Council's Statement of Accounts.
- i) The annual Statement of Accounts 2016/17 (subject to audit) were issued to the Committee members by the end of May 2017 as a trial run for the early deadline for the completion and audit of the Statement of Accounts which was to come into force for the 2017/18 financial year. The audited accounts were presented at the July 2017 meeting. The External Auditor commented positively on the arrangements the Council has in place with regard to the production of the accounts and the good relationship which allowed the audit to be completed within the restricted timeframe.
- j) The Committee received reports in relation to the Council's Treasury Management arrangements to receive assurance that they are appropriate and approved the Treasury Management Policy and Strategy. The Committee noted the good performance in this area, and asked questions in relation to the Council's approach.
- k) During the year the Risk and Assurance Map included an assurance position in relation to the Council's local authority controlled companies, Sunderland Care and Support Ltd and Together for Children Sunderland Ltd. Sunderland Homes Ltd was a new company established, this was added to the Risk and Assurance Map with assurance starting to be gathered in 2018/19. In March 2018, the assurance provided from Financial Resources in relation to the financial position of Together for Children Ltd was "limited". The Acting Director of Finance for the Company attended the Committee to provide details on the steps being taken to address the Company's deficit budget position. Members of the Committee asked various questions in order to gain assurance regarding the measures being taken.

- l) The Committee also considered the revised Housing Benefit and Local Council Tax Support Risk Based Verification Policy which sets out the approach taken to the level of verification applied to various types of housing benefit and council tax support claims.
- m) Included within the Risk and Assurance Map update reports the Committee was provided with information regarding the areas of counter fraud work undertaken and the results of this work. No particular concerns were highlighted.

3.3 From the reports presented the Committee has been proactively monitoring activity in a number of important areas, as follows:

- *Risk and Assurance Map* – The Committee closely monitored activity in relation to the implementation of improvements in the Children's Safeguarding service, ICT disaster recovery and business continuity, cyber security arrangements and the systems in place for administering Adult Social Care Personal Budgets. Senior officers were questioned in relation to these areas.
- *Strategic and Corporate Risk Profiles* – The Committee considered in detail the content of the new profiles and the revised assurance arrangements that were presented to ensure that it supported them in fulfilling their role.
- *Treasury Management* – The Committee have received regular updates regarding the Council's performance in relation to Treasury Management and continue to assure themselves about the arrangements.

3.4 It can be seen that the work of the committee is wide ranging with members monitoring performance more closely in those areas where it was deemed appropriate.

#### **4. Recommendation**

4.1 The Committee is asked to consider the report and provide any comments for inclusion prior to the report being presented to Council.