

AUDIT AND GOVERNANCE COMMITTEE

20 July 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 Strategic and Corporate Risk Profiles and Risk and Assurance Map 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 which has been updated to show the current cumulative risk assessment for each risk area as well as the cumulative assurance position.

Strategic Risk Areas

4.2 The top section of the Map relates to the strategic risks identified in the Strategic Risk Profile. The current risk scores and assurances provided are shown in detail at Appendix 2.

4.3 The changes to the Strategic Risk Profile are as follows:

- The risk score for R002 in the Strategic Risk Profile has reduced from 12 to 6. With the creation of the North of Tyne Combined Authority there was a previous concern that this could have an adverse impact on Sunderland's economic growth. Assurances have been provided through the Deed of Co-operation that there will be no detriment to the members of the North East Combined Authority that have not joined the North of Tyne Combined Authority.
- The overall assurance rating for Promoting Better Living and Working on the Risk and Assurance Map has moved from Amber to Green. This is due to the Housing Strategy being agreed and overseen by the Strategic Housing Board and the number of new homes is increasing.

- 4.4 The cumulative risk scores and assurance position are updated on a quarterly basis with the relevant senior officers. The crosses in the assurance columns show where assurance is expected to be received from. Members will see that there is positive assurance regarding actions being taken to manage the risks in relation to a number of the strategic risk areas.

Corporate Risk Areas

- 4.5 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. The detail is shown in Appendix 3. The only change to the Corporate Risk Profile is in relation to an audit of the Commissioning arrangements within People Services which was completed at the end of the last financial year which had a Moderate assurance rating given, therefore the assurance rating from Internal Audit on the Risk and Assurance Map for Commissioning has improved from Red to Amber.

Council Owned Companies

- 4.6 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. The first two internal audits of Together for Children Ltd, both of which concluding Substantial assurance. The third internal audit of operational Financial Procedures has been given an assurance level of Moderate, and the final audit in relation to preparing for the introduction of the General Data Protection Regulations, which came into force in May 2018, was rated as Limited. Therefore the Assurance from Internal Audit in relation to Together for Children Ltd has moved from Green to Amber.
- 4.7 Assurance from Financial Resources in relation to the financial management arrangements within Together for Children Ltd shows improvements in the arrangements to monitor and forecast the financial position however the Company's overall financial position remains challenging and therefore the assurance level remains Limited (Red).

Assurance from Internal Audit

- 4.8 The audits to be carried out this year and the detailed results of 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.
- 4.9 An audit of the Commissioning arrangements within People Services was completed at the end of the last financial year which had a Moderate assurance rating given, therefore the assurance rating from Internal Audit on the Risk and Assurance Map for Commissioning has improved from Red to Amber.
- 4.10 An audit of the Council's Corporate Asset Management arrangements was completed at the end of the last financial year. The assurance rating given was Limited as ongoing work to update the control framework in relation to fulfilling the Council's statutory responsibilities in this area is not fully in place, potentially leaving the Council at risk of a significant health and safety incident. A number of actions have been agreed by management, including one significant action. The significant action relates to the Council ensuring compliance with statutory responsibilities. Responsibility for ensuring statutory compliance had been devolved to different Directorates within the Council. Prior to the audit, the Council had already identified potential weaknesses in this model and has started to consolidate arrangements for property management into a Corporate Landlord model. High risk areas of statutory responsibility compliance, such as asbestos, legionella, electricity at work and fire arrangements, have been prioritised, mapped and consolidated onto a new software single system, however there are a further 25 statutory areas still to be completed. Work is ongoing by Property Services in conjunction with Building Maintenance within Place Management for all buildings/land that the Council owns, however this is could take another year to complete. A verbal update will be provided in relation to this by the Chief Operating Officer (Place).
- 4.11 In December 2017 it was report that an audit of Adult social Care – Personal Budgets concluded that no assurance could be provided that the systems of internal control were adequate. This was due to the arrangements being inadequate in a number of areas and the opportunities for financial savings should controls be improved (shown as Red in the Internal Audit column against Protecting Vulnerable Adults). A total of 46 actions were agreed as a result of the audit, a follow up of those actions due for implementation is currently ongoing. The Head of Adult Social Care will be in attendance at the Committee to provide an update.

Assurance from Risk and Assurance Team

- 4.12 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 New Wear Crossing (Northern Spire) and the development stage of the SSTC Phase 3, the International Advanced Manufacturing Park, and existing enterprise zones.
- The planned upgrade of SAP and its associated procedures.
- Risks in relation ICT business objectives, including disaster recovery/business continuity and implementation of Office 365 (move to the Microsoft cloud).
- Information Governance.
- Corporate Health and Safety Arrangements.
- Results of the matching exercise carried out by the National Fraud Initiative.
- Risk management support for events, including the Airshow and Tall Ships.

Assurance from others within the Council

- 4.13 Assurance provided from others within the Council is shown in the Risk and Assurance Map. Assurance from Financial Resources in relation to Sunderland Care and Support Ltd has moved from amber to green. As already mentioned assurance from Financial Resources in relation Together for Children Ltd. is Red.

Assurance from Management

- 4.14 Arrangements are in place to obtain assurance from service management in a number of areas. The latest returns have been analysed and the results included in the Risk and Assurance Map, all areas are assessed as Green.

Assurance from External Sources

- 4.15 The Map includes assurance from relevant external sources. A full OFSTED inspection of Together for Children Ltd has been undertaken. The results are awaited.

Overall

- 4.16 The overall assurance levels are either green or amber in all cases.
- 4.17 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 medium risk agreed actions, as shown below:

Area	Implementation Rate
Council services	89%
Schools	83%

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.

