

AUDIT AND GOVERNANCE COMMITTEE

26 July 2019

ANNUAL REPORT ON THE WORK OF THE COMMITTEE 2018/19

Report of the Assistant Director of Business and Property Services

1. Purpose of Report

- 1.1 This report provides a summary of the work undertaken by the Audit and Governance Committee during 2018/19 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 four times in the year. 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 2018/19 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 children's safeguarding service as part of Together for Children Sunderland Limited (TFC). The inspection by OFSTED during 2018 concluded that the service remained Inadequate even though improvements had been made. The Chief Executive of TFC attended the Committee meeting in September 2018 to provide an update on progress. Numerous questions were asked by the committee members to gain assurance that action was being taken to address the issues highlighted by Ofsted. Updates in relation to the financial position of TFC, which has Limited Assurance on the risk and Assurance Map, were provided by the Council's Head of Financial Management and the Director of Finance for TFC.
- d) The Risk and Assurance Map update report in December 2017 identified issues regarding the systems for Adult Social Care Personal Budgets. Members continued to be provided with updates on the improvements made.
- e) An audit of the Council's Corporate Asset Management arrangements highlighted some concerns in relation to the Council's ability to comply with statutory requirements. The Chief Operating Officer attended the Committee to provide assurance regarding the action being taken to address the findings and that the highest risk areas were being prioritised.
- f) 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.

- g) The results of the Annual Governance Review for 2017/18 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 improvements being made in relation to Children's Safeguarding and was approved by the Committee and included within the Council's Statement of Accounts.
- h) The annual Statement of Accounts 2017/18 (subject to audit) were issued to the Committee members by the end of May 2018. The audited accounts were presented at the July 2018 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.
- i) 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.
- j) The Committee also undertook a review of its remit and effectiveness, as it does every three years. The review concluded that the Committee was fulfilling its role, however with the deadline for the Statement of the Accounts (including the Annual Governance Statement) being brought forward to 31st May each year a revised schedule of committee meetings was agreed to allow the Committee to consider the Annual Governance Statement before it is approved.
- k) 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 arrangements, the systems in place for administering Adult Social

Care Personal Budgets and the arrangements in relation managing the Council's property assets. Senior officers were questioned in relation to these areas.

- *Treasury Management* – The Committee have received regular updates regarding the Council's performance in relation to Treasury Management.
- The Committee reviewed its remit and effectiveness and agreed to a revised schedule of meetings to enable it to consider the Annual Governance Statement prior to being approved by the Leader, Chief Executive and Executive Director of Corporate Services.

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.