

**At a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the
CIVIC CENTRE on Thursday 30 June 2011**

Present: -

Mr G N Cook in the Chair

Councillors Forbes, Tate and Mr J P Paterson.

Declarations of Interest

There were no declarations of interest.

Apologies for Absence

Apologies for absence were received from Councillors Rolph, Trueman and T Wright.

Minutes

8. RESOLVED that the minutes of the meeting of the Committee held on 27 May 2011 be confirmed and signed as a correct record.

The Executive Director of Commercial and Corporate Services referred to the item on Member Training and Development and advised that the update on the Council's Improvement Programme would be presented to the Committee at their next meeting on 22 July 2011.

Internal Audit Progress Report

The Head of Audit, Risk and Procurement submitted a report outlining the progress of Internal Audit from April to 10 June 2011, the areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

Members' attention was drawn to Appendix 1 which showed the performance to date against the Key Performance Indicators (KPIs). All of the KPIs were on

target with the exception of the implementation rate of medium risk recommendations. This currently stood at 83% against a target of 90% with the lowest implementation rate of 64% being in the Health, Housing and Adult Services directorate.

The overall audit opinion in all key risk areas was good or satisfactory apart from Information Governance which remained unsatisfactory. However, management had responded positively to the recommendations and there was evidence of detailed action being taken. Further audit work was required before the overall opinion could be changed but it was hoped this would happen in the near future.

Graham King, Head of Strategic Commissioning, within Health, Housing and Adult Services was in attendance to inform the Committee of the position with regard to the 'significant' recommendations made following the audit of the protection arrangements for vulnerable adults.

The Head of Strategic Commissioning reported that an inspection by the Care Quality Commission (CQC) had identified some inadequacies in existing ICT systems and highlighted training issues in relation to ICT. These issues related not just to the Council but also to partner agencies.

A major ICT supplier had been engaged to develop a new product to be implemented in October 2010 and at the same time, fundamental changes were being implemented in the service and due to the significant amount of ICT training required, it was decided to progress the care management part of the system initially.

In the meantime, and after further consideration of the CQC report, the Safeguarding Adults Board had requested that the approach to safeguarding adults in Sunderland be reviewed. If a new model for safeguarding was adopted this would have training implications for both council staff and partners.

The Chairman asked if there was confidence that a robust system would be in place moving forward and the Head of Strategic Commissioning confirmed that changes to the care management regime would result in stronger policies and the new ICT system would complement this.

There would be a few hundred staff to be trained in the new arrangements and it was highlighted that the changes could be influenced by forthcoming guidance from the Law Commission about placing safeguarding for adults on a statutory footing.

The Head of Strategic Commissioning was asked to comment on the low implementation rates for medium risk recommendations in Health, Housing and Adult Services and he advised that a new process had been established within the directorate of monthly meetings to consider performance and provide early monitoring of audit recommendations. There would be lead officers identified for each recommendation and they would have the

responsibility for following up the issues. This in turn would lead to an improved implementation rate.

The Chairman asked the Head of Strategic Commissioning to keep the Committee informed of progress and he confirmed this would be actioned.

Having discussed the progress report, it was: -

9. RESOLVED that the report be noted.

Annual Report on the Work of the Committee

The Executive Director of Commercial and Corporate Services presented a report providing a summary of the work undertaken by the Committee during 2010/2011 and the outcome of that work. The report demonstrates how the Committee has fulfilled its role throughout the year.

The report sets out the role of the Committee and the matters it has considered during 2010/2011, including the Internal Audit Strategy and Operational Plan, reports from the Council's External Auditors, the Corporate Risk Profile, the Annual Governance Review, the performance on Treasury Management and the Statement of Accounts.

It also highlighted areas where the Committee had been pro-actively monitoring performance such as the implementation of agreed Internal Audit recommendations and the abolition of the Audit Commission.

The report concluded that the work of the Committee had been comprehensive and robust, resulting in positive assurance for the Authority.

Members having agreed that the report accurately portrayed the work completed over the year, therefore: -

10. RESOLVED that the report be approved and referred to the Council.

Corporate Risk Profile

The Executive Director of Commercial and Corporate Services submitted a report outlining the findings of the latest review of the Corporate Risk Profile undertaken by the Corporate Risk and Governance Group in April 2011.

The Head of Audit, Risk and Procurement reported that the format of the Corporate Risk Profile had changed and the existing Profile had been realigned against the agreed Strategic Objectives of People, Place and Economy and the Corporate Improvement Objectives. New risks had also been identified through discussions with a range of Directors and Heads of Service which reflected the change in context in which the Council was now operating.

The Profile was being developed to include specific mitigating actions and outstanding actions from the previous year's profile would be included within the profile where appropriate.

Councillor Tate highlighted that the Corporate Risk Profile would change when the Education and Localism Bill came into force and noted that the Environment and Attractive City Scrutiny Committee had carried out a review of 'place' and this could feed into the Profile. He also queried the effect which free schools may have on the Council's ability to offer all children the same standard of education and suggested that the risk would be heightened on this issue.

The Chairman referred to the difficulties in trying to achieve priorities and meet aspirations whilst acknowledging that some goals would never be reached.

The Executive Director of Commercial and Corporate Services acknowledged that there needed to be more active consideration of the Corporate Risk Profile by the Executive Management Team as they would have the clearest view of the strategic issues. There was also a need to fine tune the analysis so that it reflected what was in the control of the Council and what the authority *could* do and *could* influence.

Councillor Forbes echoed the comments regarding aspirations and cautioned against a broad brush approach to raising expectations which then could not be fulfilled. She made reference to 'help(ing) those who need it most' and noted that there seemed to be conflict in stating that small communities would have the opportunity to have a real say on issues and then this not being the case when residents came to make their views known. The Executive Director of Commercial and Corporate Services agreed that the Localism Bill had the potential to create challenges and the manifestation of these powers would have to be worked through.

Councillor Tate having requested that the tables within the Profile be provided in colour, the Committee: -

11. RESOLVED that the updated Corporate Risk Profile be noted.

Accounts and Audit Regulations 2011

The Executive Director of Commercial and Corporate Services presented a report updating the Committee of the changes made by the Accounts and Audit Regulations 2011 and the implications for the Statement of Accounts 2010/2011.

The main changes to be applied for the 2010/2011 accounting year were: -

- Revoking the Accounts and Audit Regulations 2003 as amended and consolidating these into the new Accounts and Audit Regulations 2011;

- Simplifying and clarifying the requirements of the regulations and also separating out the regulations that apply to larger public bodies from those which apply to smaller public bodies;
- Current regulations require members to approve the Accounts subject to audit before 30 June but as this was out of step with the private sector, the change in regulations means that the Accounts subject to audit do not now need to be approved but the audited Accounts must still be approved before 30 September each year; and
- The Responsible Finance Officer must certify the presentation of the annual Accounts no later than 30 June each year and must re-certify the Accounts before member approval is given in September.

The Executive Director of Commercial and Corporate Services informed the Committee that for this year, the Statement of Accounts (as certified) would be presented at the meeting in July, with a final version being considered in September in the usual way.

The Accounts for 2010/2011 had been produced in line with the new accounting requirements of the International Financial Reporting Standards (IFRS) and the Assistant Chief Accountant, Technical and External Services provided a summary of the main changes in the Statement of Accounts resulting from the introduction of IFRS.

Having been informed that PFI projects would be brought on to the Authority's Balance Sheet, the Committee: -

12. RESOLVED that the changes arising from the changes to the Accounts and Audit Regulations 2011 be noted.

Annual Review of Corporate Governance Arrangements

The Executive Director of Commercial and Corporate Services submitted a report providing details of the 2010/2011 Annual Governance Review and presenting the draft Annual Governance Statement.

The Council has a local code of governance setting out a framework which aims to ensure that the Council is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. The framework is based on the following core principles: -

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

- Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

The report outlined the methodology for the Annual Governance Review and the Committee heard that the conclusion from the Corporate Risk and Governance Group was that the Council continued to have a robust and effective corporate governance arrangements in place. The views elicited from Members and senior managers across the Council demonstrated that the principles of good governance were embedded Council-wide. The Annual Governance Statement would be included within the Statement of Accounts for 2010/2011.

A small number of actions had been identified for improvement and a plan had been drawn up to address these issues during 2011/2012. Councillor Forbes referred to the action around partnership governance and queried what would happen if a partnership failed in one of its duties under the framework.

The Head of Audit, Risk and Procurement advised that with regard to issues of non-compliance, it was expected that the partnership agreement would have a mechanism for dispute resolution. Some partnerships were contractual and some were public to public partnerships, where disputes could be dealt with by relationship management. The Head of Law and Governance stated that a dispute resolution procedure was always covered in partnership agreements and there was an expectation that people would work together to resolve problems.

Councillor Forbes went on to ask how this would be dealt with for issues relating to safeguarding for example and was advised that where there was a general failure in service, the agency with the statutory responsibility would have to address the issue.

The Committee therefore: -

13. RESOLVED that: -

- (i) the draft Improvement Plan be agreed and recommended to Cabinet; and
- (ii) the Annual Governance Statement be agreed.

Consultation on Local Public Audit

The Executive Director of Commercial and Corporate Services submitted a report highlighting the main issues from the Department for Communities and

Local Government's (DCLG) consultation on their vision for the future of local public audit and seeking Members' views on the draft consultation response.

The Head of Audit, Risk and Procurement delivered a presentation on the key proposals arising from the consultation. These were summarised as: -

- Local public bodies with a turnover of over £6.5m would appoint their own independent external auditor, with the appointment being made with the advice of an independent audit committee;
- External auditors would be regulated under a system which mirrors that of the audit of companies;
- The National Audit Office would set the Code of Audit Practice which prescribes the way auditors will carry out their functions.

The Committee discussed the proposals and the suggested responses making particular comment on the role and structure of audit committees and the process for the resignation and removal of external auditors.

The Committee agreed that the Chair and Vice-Chair of audit committees should be independent but felt that it would be useful to have a member of the Cabinet on the Committee to assist with interaction between the two bodies. Members also felt that the local authority concerned should have discretion to set the membership of the audit committee. The proposed process for appointing independent members to the audit committee was supported

Councillor Forbes asked how objections to the Accounts would be dealt with under the new arrangements. Gavin Barker, Audit Commission, advised that the formal objection process had been removed but concerns could still be expressed to the external auditor and then they would decide how to address any matters raised. It was not clear at this time if the auditors would have to report objections to the Committee as although the principles were being established, further details would be supplied in guidance issued in the future.

Gavin Barker then gave a brief status update on the Audit Commission.

Following discussion, it was: -

14. RESOLVED that, with the inclusion of comments from the Committee, the proposed consultation response be agreed and submitted to the Department for Communities and Local Government.

Treasury Management Annual Review 2010/2011

The Executive Director of Commercial and Corporate Services submitted a report informing the Committee of the Treasury Management borrowing and investment performance during 2010/2011.

Borrowing and investment is undertaken in line with the requirements of the Treasury Management Policy and Strategy which was approved by the Council in March 2010.

The Executive Director thanked the Treasury Management function for their work which had continued to contribute significant financial savings which were used to provide funding to support future year's capital programmes and help support the Council's revenue budget. New loans and rates of return achieved on investments in 2010/2011 had led to a further savings of over £1.5m compared to the original budget.

The Committee, having heard that the borrowing and investment position was positive and as planned, accordingly the Committee: -

15. RESOLVED that the Treasury Management performance for 2010/2011 be noted.

(Signed) G N COOK
Chairman