

AUDIT AND GOVERNANCE COMMITTEE
Friday 28 April 2023

Present:

Mr G N Cook in the Chair

Councillors P Gibson, Nicholson and P Wood together with Mr M Knowles.

In Attendance:

Paul Wilson (Director of Finance) Tracy Davis (Senior Manager - Assurance), Richard Wright (Chief Information Officer), Paul Thompson (Information Security Manager), Mark Kirkham and Diane Harold (Mazars) and Gillian Kelly (Principal Governance Services Officer).

Declarations of Interest

There were no declarations of interest.

Apologies for Absence

Apologies for absence were received from Councillors Stewart and Trueman.

Minutes

20. RESOLVED that the minutes of the meeting of the Committee held on 3 February 2023 be confirmed as a correct record.

Annual Governance Review/Annual Governance Statement 2022/2023

The Director of Finance submitted a report providing details of the 2022/2023 Annual Governance Review, the Risk and Assurance Map at the end of the year and the Internal Audit opinion on the adequacy of the overall system of internal control. The draft Annual Governance Statement and an improvement plan for the year ahead were included.

The Committee had approved the Risk and Assurance Map for 2022/2023 in April 2022, together with the plans of work for the Internal Audit and the Risk and Assurance teams. These plans covered the Council and its wholly owned companies.

The Local Code of Corporate Governance was reviewed annually to ensure that it was up to date and effective and this year's review had not highlighted any required amendments and the current version of the Code remained relevant. The Council was also required to publish an Annual Governance Statement (AGS) with its Statement of Accounts which was to be supported by a comprehensive assurance gathering process.

The Annual Governance Review had considered assurance provided from Assistant Directors, Executive Directors and Directors, specialist functions, the Risk and Assurance Team, Internal and External Audit and other external agencies. These assurances were shown in the Risk and Assurance Map which had all elements marked as Green or Amber.

The Committee were advised that there had been a shortage of staff resources in the Internal Audit team during the year and an external internal audit firm had been engaged. A small number of audits had been carried forward into 2023/2024 with the agreement of Chief Officers. All of the Key Performance Indicators for Internal Audit for 2022/2023 had been achieved.

The report also set out the planned counter fraud and error work undertaken during the year and whilst there were no significant issues highlighted there were some opportunities identified for improvements to the control environment.

Progress on the actions in the corporate governance improvement plan for 2022/2023 had been reviewed and it was found that all five actions were complete and as a result of the review, two new actions would be included in the improvement plan for 2023/2024.

The Annual Governance Statement had been drafted taking into account the findings of the annual governance review and was attached as appendix 3 to the report.

The opinion of the Head of Internal Audit had been reported to the Committee throughout the year and the opinion continued to be that the Council had an adequate system of internal control.

Having considered the report, it was: -

21. RESOLVED that: -

- (i) the report and Risk and Assurance Map at Appendix 1 be noted;
- (ii) the Improvement Plan at Appendix 2 be agreed; and
- (iii) the draft Annual Governance Statement at Appendix 3 be agreed.

Risk and Assurance Map 2023/2024

The Assistant Director of Assurance and Property Services submitted a report which asked the Committee to consider: -

- the proposed Risk and Assurance Map and the supporting plans of work for the Internal Audit and Risk and Assurance teams for 2023/2024; and
- Internal Audit's key performance measures and targets for 2023/2024.

The Risk and Assurance Map for 2023/2024 set out where assurance would be obtained from, including the plans of work for Internal Audit and Risk and Assurance for the coming year.

The key areas of work for the Risk and Assurance team included obtaining assurance on the progress in relation to the actions identified to manage risks in the Strategic Risk Profile and providing risk management support to senior managers as required.

Internal audit work would include the following: -

- Continuing audit work in relation to the Council's Housing Service
- Contract Management arrangements in relation to the Council's PFI contracts and other significant contracts in place
- Port: Delivery of the Business Plan and Resilience to continue to service the Port's business commitments
- Adult Social Care assessment and support arrangements
- Protection of vulnerable adults' property
- Programme Management Arrangements in relation to regeneration activity
- Compliance with Caldicott Arrangements
- Audits of maintained school are scheduled over a three-year cycle
- Completion of audit certificates where grant funders require verification that monies have been spent in line with grant conditions
- A range of audits of the Council's financial systems and will be undertaken in line with an agreed five-year rolling plan.
- Each of the Council's companies had their own audit plan, the results of which would feed into the Risk and Assurance Map.

The Key Performance Indicators would remain the same and progress reports would be presented to the Committee during the year.

Mr Knowles asked if the team ever looked at plans from other organisations to make sure that nothing had been missed. The Senior Manager – Assurance stated that regular discussions took place regionally and external auditors provided updates which informed the Risk and Assurance Map; most new additions to the Map came through consultation with officers.

22. RESOLVED that the report be noted.

Proposed Forward Plan of Reports for 2023/2024

The Director of Finance submitted a report presenting the proposed Forward Plan of reports for 2023/2024 for consideration and comment.

Members were advised that this was an annual report setting out the reports which would allow the Committee to fulfil its role throughout the municipal year.

23. RESOLVED that the proposed Forward Plan of reports be agreed.

Member Training and Development

The Director of Finance submitted a report providing the Committee with the opportunity to identify areas for which they required any further training/refresher/awareness sessions to be arranged.

It was proposed that a briefing session on the statement of accounts be held in June/July and a session on Treasury Management be delivered by the Council's Treasury Management Advisors via Teams in October. Any new Members appointed to the Committee at the Annual Meeting of the Council would also be offered an induction session.

At this juncture, the Chair placed on record his thanks on behalf of the Committee to Councillors Gibson and Wood for their valuable contribution during their time as members of the Audit and Governance Committee. He wished them both well in their retirement.

24. RESOLVED that: -

- (i) it be agreed to receive a briefing session regarding the 2022/2023 Statement of Accounts;
- (ii) it be agreed to receive a training session regarding Treasury Management; and
- (iii) further areas for training/awareness sessions be suggested.

External Auditor's Progress Report

Mazars, the Council's external auditors, had submitted a report which outlined the progress in delivering its responsibilities as the external auditors and included, at Section 2, a summary of recent reports and publications.

Diane Harold was in attendance to talk to the report and introduced Mark Kirkham as the new Engagement Lead for the Council. She advised since the last progress report, the infrastructure issue had been resolved, the Pension Fund auditor assurance had been received and the auditor's formal findings would be reported in a follow-up letter to the Audit Completion Report.

There was a new national issue around accounting estimates and the pensions valuation carried out every three years and completed towards the end of March 2022 had highlighted some significant shifts in pension figures. This was being given consideration by all audit firms and CIPFA were planning to issue some guidance on this in the next week.

Mark Kirkham added that very few 2021/2022 audits had been signed off due to this issue. The Director of Finance commented that regionally, Durham County Council's Accounts had been signed off but other local authorities, combined authorities and Nexus were in the same position. He highlighted that the valuation had led to funding levels being better than at the last valuation and liabilities did not exceed funds.

Diane also advised that a draft Auditor's Annual Report was prepared and would be ready to complete when the go ahead was received.

There was no formal audit plan for 2022/2023 due to the issues around estimates however the significant risks were the same as the previous year: management override of controls; valuation of property, plant and equipment; and net defined benefit liability valuation. There was no change to the audit approach for the forthcoming year and Mazars had discussed what they planned to do with officers.

25. RESOLVED that progress report be noted.

Local Government (Access to Information) (Variation) Order 2006

At the instance of the Chair, it was: -

26. RESOLVED that in accordance with the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during consideration of the remaining business as it was considered to involve a likely disclosure of exempt information relating to the financial or business affairs of any particular person (including the authority holding that information) (Local Government Act 1972, Schedule 12A, Part 1, Paragraph 3). The public interest in maintaining this exemption outweighs the public interest in disclosing the information.

Cyber Security

Richard Wright, Chief Information Officer and Paul Thompson, Information Security Manager, were in attendance to deliver a presentation on the Council's approach to cyber security.

The Committee were advised of the Sunderland City Council position and action being taken in relation to prevention, response, recovery and assurance.

Accordingly, it was: -

27. RESOLVED that the information contained in the presentation be noted.

Dates and Times of Next Meetings

28. RESOLVED that the following schedule of meetings be noted: -

Friday 21 July 2023 at 1.30pm
Friday 22 September 2023 at 1.30pm
Friday 2 February 2024 at 1.30pm
Friday 26 April 2024 at 1.30pm

(Signed) G N COOK
Chair