

**AUDIT AND GOVERNANCE COMMITTEE**  
**Friday 27 September 2019**

**Present:**

Mr G N Cook

Councillors Crosby, Lawson, Stewart and Wood together with Mr M Knowles.

**In Attendance:**

Jon Ritchie (Executive Director of Corporate Services), Tracy Davis (Senior Manager Assurance), James Magog (Chief Accountant), Diane Harold (Mazars) and Gillian Kelly (Principal Governance Services Officer)

**Declarations of Interest**

Councillor Lawson declared an interest in item 4 'Risk and Assurance Map Refresh 2019/2020' as a Director of Sunderland Care and Support Limited.

**Apologies for Absence**

Apologies for absence were received from Councillor Scullion.

**Minutes**

9. RESOLVED that the minutes of the meeting of the Committee held on 26 July 2019 be confirmed as a correct record subject to the following amendments: -
- (i) Councillor Wood's apologies to be recorded;
  - (ii) the fifth paragraph on page 5 be amended to show that Councillor Crosby asked the question regarding the shares in the Airport and Siglion; and
  - (iii) the third paragraph on page 9 be amended to show that Councillor Crosby asked the question about the new Office 365 system.

Councillor Wood asked when the Annual Report on the Work of the Committee would be presented to the Council and was advised that this would be on the agenda for the 20 November meeting.

## **Risk and Assurance Map Refresh 2019/2020**

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

- the refreshed Risk and Assurance Map based on the priority areas within the Council's new City Plan;
- the refreshed Strategic Risk Profile updated on the new priorities within the City Plan;
- the refreshed Corporate Risk Profile which had been updated based on the operational risks facing the Council currently;
- work undertaken by the audit, risk and assurance service during the year; and
- the performance of Internal Audit.

Members were advised that the Strategic Risk Profile considered the risks to the achievement of the Council's priorities and therefore needed to reflect the current position and new priorities for the City. The Corporate Risk Profile represented the risks which the organisation faced during its operational activity to deliver priorities and it was also appropriate to review this in the light of the Council's current priorities.

The Committee was directed to the Risk and Assurance Map which had been updated to reflect the new strategic risk areas and updated corporate risk areas. The strategic risk areas had been expanded and reflected the three themes of the City Plan; Dynamic City; Healthy City; and Vibrant City. There were a number of crosses in the Risk and Assurance column to show planned work as the new strategic risk areas would begin to be completed from the next quarter. There were still Red ratings in relation to Children's Safeguarding and Direct Payments which had been fully set out to the Committee at previous meetings.

The Senior Manager, Assurance highlighted that the risk criteria were shown at Appendix 6 to the report and set out the risk scoring matrix. The corporate risk areas were very much as they were previously, however some risks had been amalgamated. It was highlighted that the risk score for Relationship and Contract Management and Health and Safety had changed from Red to Amber; however, Programme and Project Management had changed from Amber to Red which reflected that although project management arrangements within the Council were appropriate there was more work to be done in relation to documenting the achievement of benefits from projects.

Siglion had been added to the Council owned companies and work was planned for the year ahead. The results of completed Internal Audit work was shown at Appendix 4 and there were a number of current audits ongoing in relation to Environmental Services, Treasury Management, Council Tax Setting and Liability, ICT Asset Management, Capital Procurement and Liquid Logic – Adults.

Performance in relation to Internal Audit was on target except for the percentage of significant risk actions implemented which stood at 95% against a target of 100%. This 5% related to the audit of Adults Social Care Personal Budgets; significant progress had been made with the implementation of the actions with a small number

remaining outstanding. The percentage of medium risk actions implemented was 100% for Council services and 87% for schools against a target of 90%.

Councillor Crosby queried if Sunderland Care and Support would be revisited now that the Community Support Service had been rated as 'requires improvement'. The Senior Manager, Assurance advised that this inspection outcome would be factored into the annual audit of the company.

Mr Knowles asked if there were any updates in relation to Together for Children and the Senior Manager, Assurance commented that there had been good outcomes from audits which had been recently undertaken with the company. The Executive Director of Corporate Services advised that there was better financial control within the company and he was assured that the continued issues were due to demand rather than a lack of internal control.

10. RESOLVED that the report be noted.

### **Treasury Management – Second Quarterly Review 2019/2020**

The Executive Director of Corporate Services submitted a report presenting the Treasury Management performance to date for the second quarter of 2019/2020 and setting out the Lending List Criteria, Approved Lending List and the Risk Management Review of Treasury Management.

The Council's Treasury Management function continued to look at ways to maximise financial savings and increase investment return to the revenue budget. The Committee were advised that it had been a volatile quarter and PWLB rates had bottomed out, therefore the Council had taken the opportunity to take out £50m of new borrowing in two tranches. The low rates of borrowing would benefit the revenue budget over the longer term.

The Council's interest rate on borrowing was low, currently 2.89%, and the authority had benefitted from this lower cost of borrowing and also from ongoing savings from past debt rescheduling exercises. The rate of return on investments was 1.02% compared with a benchmark of 0.57%.

The Treasury Management Prudential Indicators were regularly reviewed and the Council was well within the limits set for all of these. Further detail on the indicators was set out in Appendix A to the report. The investment policy was also regularly monitored and reviewed to ensure that it had the flexibility to take full advantage of any changes in market conditions which would benefit the Council. Appendix A provided further insight around the borrowing and investment strategy and the current economic climate. There remained a caveat on all economic data in respect of the final outcome of Brexit discussions.

The Council's authorised lending list continued to be updated regularly to take into account financial institution mergers and changes in institutions' credit ratings. The Approved Lending List was attached as Appendix C to the report for information and had not been amended since the first quarter. There had been no changes to the Lending List Criteria which were set out at Appendix B.

The Risk Management Review of Treasury Management was attached as Appendix D to the report and set out the risks that the Council faced as a result of carrying out Treasury Management functions and the controls which were in place to mitigate these risks.

Councillor Stewart referred to the Council being able to access PWLB loans at a discount of 0.20% and noted that this facility was coming to an end. The Chief Accountant advised that a submission had been made to have this extended and the discount was likely to continue.

11. RESOLVED that: -

- (i) the Treasury Management performance for the second quarter of 2019/2020 be noted; and
- (ii) the Lending List Criteria at Appendix B, the Approved Lending List at Appendix C and the Risk Management Review of Treasury Management at Appendix D be noted.

### **Annual Audit Letter 2018/2019**

The Executive Director of Corporate Services submitted a report detailing the external auditor's Annual Audit Letter covering the year 2018/2019. The Annual Audit Letter would be referred to the Council in November for information.

The Annual Audit Letter summarised the findings of the 2018/2019 audit and was positive overall, highlighting the following key findings from the work: -

- the financial statements give a true and fair view of the Council and the Group's financial position as at 31 March 2019;
- the financial statements had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2018/2019;
- all other information in the Statement of Accounts is consistent with the audited financial statements;
- that the Council's Whole of Government Accounts Assurance Statement was completed by 13 September 2019 in line with requirements; and
- that the auditors did not use powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.

The Letter also highlighted the unqualified opinion which had been given on the Financial Statements and the reasons for the 'except for' qualification in relation to the Value for Money Conclusion.

The Executive Director highlighted that a number of local authorities had missed the accounting deadline and over 40% of audits had been late. He conveyed his appreciation for the hard work of the team and Mazars which had enabled

Sunderland City Council to meet all of the deadlines. The Chair echoed this comment and congratulated the officers and external auditors on their efforts.

12. RESOLVED that the contents of the Annual Audit Letter be noted.

### **External Auditor Progress Report**

Mazars, the Council's external auditors, had submitted their regular Audit Progress Report covering the period up to November 2019.

Diane Harold advised that it was a relatively quiet time of year, however work in the next quarter would include assurance work in respect of the 2018/2019 Housing Benefits Subsidy Return. Mazars also anticipated that they would be carrying out work in respect of the 2018/2019 Teachers' Pensions return.

The report highlighted the publication and update of the following documents: -

- Whole of Government Accounts 2017/2018, NAO
- Consultation – new Code of Audit Practice from 2020, NAO
- Local audit quality forum, PSAA Ltd
- A practical guide for Local Authorities on Income Generation (2019 edition), PSAA Ltd
- Rethinking Social Value: Unlocking Resources to Improve Lives, Mazars
- Spending Round 2019: on the day briefing, LGA

Diane made reference to the Whole of Government Accounts and these had been qualified again. She also highlighted that some useful slides had been made available from the local audit quality forum which had taken place in June.

Accordingly, the Committee: -

13. RESOLVED that the Audit Progress Report be noted.

(Signed) G N COOK  
Chair

