

## **AUDIT AND GOVERNANCE COMMITTEE**

**31 March 2017**

### **RISK AND ASSURANCE MAP 2016/2017 – UPDATE**

#### **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 Risk and Assurance Map based on assurances gathered from a range of sources and work undertaken by the audit, risk and assurance service during the year; and the performance of Internal Audit.
- 1.2 For completeness, the report covers Internal Audit's key performance measures. 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 the report and consider the updated Risk and Assurance Map (the Map).

##### **3. Background**

- 3.1 In March 2016 the Committee approved the proposed Corporate Assurance Map for 2016/17 and the plans of work for Internal Audit and Risk & Assurance. In September 2016 the Committee approved a new Strategic Risk Profile which considers the risks to the Council in delivering its strategic priorities. A Corporate Risk Profile which considers the Council's operational risks was then approved in December 2016.
- 3.2 At the December Committee meeting members were also advised of the proposed new reporting arrangements for the Strategic and Corporate Risk profiles and the format of the revised Corporate Assurance Map. Example documents were provided for information but had not been populated with the assurances gathered at that time. This report sets out the assurances that have been gathered for the management of the risks in both the Strategic and Corporate Risk Profiles, the current risk scores for each risk, as they are considered to be at this point in time, and the resulting updated assurance map.

##### **4. Risk and Assurance Map**

- 4.1 As the Map shows assurance for both the strategic and corporate risk areas it was considered that to avoid confusion the Map should be renamed to be the Risk and Assurance Map. When devising the detailed arrangements to

support the Map it was clear that the current risk score and the assurance position in relation to the risk may be different. This is because the assurance position shows whether appropriate action is being taken to manage the risk even though the risk may not be fully mitigated or action being taken has not impacted sufficiently to reduce the risk score. If the actions being taken however are on target to be achieved and are expected to deliver the required results then the assurance position may be more positive. Therefore, the Map has been updated to show the current cumulative risk score for each risk area as well as the cumulative assurance position, and is shown at Appendix 1.

- 4.2 Members will see that a number of the key risk areas have changed as the assurance levels are now related to the specific risks within the Profiles rather than an overall view on a key risk area. Therefore some of the assurance levels are different to those reported previously.

#### Strategic Risk Areas

- 4.3 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. Currently the cumulative risk scores are red which reflects the fact that the Council's Corporate Plan is new, contains longer term priorities, and the actions to address the risks are still ongoing. These will be 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 currently there is no assurance view for the strategic risk areas of Supporting Vulnerable Adults and Carers and Building Resilient Citizens and Communities.

#### Corporate Risk Areas

- 4.4 The middle section of the Map shows the cumulative risk scores and the assurance levels relating to the risks identified in the Corporate Risk Profile. The detail is shown in Appendix 3. The only risk area which has an assurance level of Red is Cyber Security. This is a new key risk area and the assurance on this relates to an audit undertaken by PricewaterhouseCoopers in 2015 which assessed the Council arrangements as being limited. It is acknowledged that the ICT unit have undertaken much work in this area since then and a further audit has been planned for 2017/18 to assess the current position.

#### Council Owned Companies

- 4.5 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. Currently the only relevant company is Sunderland Care and Support Ltd as services delivered by Sunderland Live Ltd. are now being managed through the Council.

#### Assurance from Internal Audit

- 4.6 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 or in that way.
- 4.7 A new corporate risk area of Commissioning has been added to the Map. The Internal Audit assurance level for this is Red based on 2 previous audits in this area. Further audit work regarding commissioning is planned for 2017/18.
- 4.8 The assurance level for Information Governance from Internal Audit remains limited, although significant work is being undertaken to improve the Council's approach to information governance. An assurance framework for information governance within the Council has been developed and is currently being populated with the assurances available from various sources. Once this is live a wider picture will be available. Security within the Civic Centre has been enhanced by the issue of lanyards for all staff to have their identity badges on display. Further audit work is being planned for 2017/18 to review the Council's compliance with requirements and its preparation for complying with the General Data Protection Regulations which come into force in May 2018.

#### Assurance from Risk and Assurance Team

- 4.9 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 and the development stage of the SSTC Phase 3, the International Advanced Manufacturing Park, and enterprise zones.
  - Preparation for the set-up of the new company, Together for Children Sunderland Ltd.
  - Risks in relation ICT business objectives, including disaster recovery/business continuity.
  - Replacement of the SWIFT ICT system (Liquid Logic).
  - Information Governance.
  - Adults Safeguarding Board, and Personal Budgets/Direct Payments.
  - Risk management support for events, including the Tall Ships.
- 4.10 The Assurance rating/level provided regarding the overall Council's ICT arrangements remains Amber, although the assurance provided from the Risk and Assurance Team has moved from Red to Amber. A significant amount of work has been done to recover the Council's systems following

the ICT outage in September 2016. All systems are now running from Moorside on new infrastructure. The assurance level has not been moved to Green yet as the documentation for the new arrangements is currently being updated and a new disaster recovery testing plan is being developed. There has also been a recent failure of one of the new air conditioning units which did not result in an outage, a review of this is being undertaken. The assurance level will be kept under review as these developments continue.

- 4.11 Together for Children Sunderland Ltd goes live on 1<sup>st</sup> April 2017.

Assurance from others within the Council

- 4.12 Assurance provided from others within the Council is shown in the Risk Assurance Map.
- 4.13 Provision for all on-going financial pressures, including Children's Safeguarding, has been made within the budget planning for 2016/2017 and delivery of the savings plans is being closely monitored through the Implementation Board.

Assurance from Management

- 4.14 Arrangements are in place to obtain assurance from service management in a number of areas. Members will note that the majority of risk areas are shown as having substantial assurance.

Assurance from External Sources

- 4.15 The Map includes assurance from relevant external sources. The results of the Ofsted review in relation to Children's Safeguarding in 2015 are shown as Red against the strategic risk area Supporting Vulnerable Children and Families. A further full Ofsted review is expected to take place over the summer.
- 4.16 The results of the external reports in relation to the ICT Unit is shown as Limited Assurance being provided against both the Business Continuity and ICT key risk areas in the Risk and Assurance Map. An officer is attending the committee meeting to provide an update in relation to these arrangements.

Overall

- 4.17 The overall assurance levels are either Green or Amber apart from Cyber Security.
- 4.18 The Risk and Assurance Map was considered by the Chief Officer Group on Tuesday 14<sup>th</sup> March 2017 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 KPI's apart from:

- The percentage of significant risk recommendations implemented by the due date stands at 97% against a target of 100%. This results from work in relation to the use of email as set out in paragraph 4.4. Although compliance with the policies has improved there is still one significant recommendation outstanding which related to the setting up of GCSX accounts for relevant staff. Action is being taken to address this issue by the Directorates concerned.
- The percentage of medium risk recommendations implemented for the Council and Schools is shown below.

Area	Implementation Rate
Council services	89%
Schools	78%

## **6. Conclusions**

6.1 This report provides an update on the assurance provided in the Risk and Assurance Map, work ongoing in relation to the Internal Audit and Risk & Assurance Teams and performance targets for Internal Audit.

6.2 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. Recommendations**

7.1 The Audit and Governance Committee are asked to note the report and consider the updated Risk and Assurance Map.

