

AUDIT AND GOVERNANCE COMMITTEE

AGENDA

**Meeting to be held in the Civic Centre (Committee Room No. 1) on
Friday 5 May 2017 at 2.00pm**

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1. Receipt of Declarations of Interest (if any)	
2. Apologies	
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For further information and assistance, please contact:

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ELAINE WAUGH
Head of Law and Governance

Civic Centre
Sunderland

26 April 2017

AUDIT AND GOVERNANCE COMMITTEE
Friday 10 February 2017

Present:

Mr G N Cook

Councillors O'Neil, Scullion, Speding, Wood, N. Wright and Mr M Knowles.

In Attendance:

Barry Scarr (Interim Executive Director of Corporate Services), James Magog (Chief Accountant), Gavin Barker (Mazars) and Hazel Mackel (Executive Governance Services Team Leader)

Declarations of Interest

There were no declarations of interest.

Apologies for Absence

There were no apologies for absence.

Minutes

23. RESOLVED that the minutes of the meeting of the Committee held on 16 December 2016 be confirmed as a correct record.

Treasury Management Policy and Strategy 2017/2018 including Prudential 'Treasury Management' Indicators for 2017/2018 to 2019/2020

The Interim Executive Director of Corporate Services submitted a report informing the Committee of the Treasury Management Policy and Strategy (including both borrowing and investment strategies) proposed for 2017/2018. The report also presented the Prudential 'Treasury Management' Indicators for 2017/2018 to 2019/2020 and asked the Committee to provide comments to the Cabinet and Council on the proposed policy and indicators where appropriate.

The Chief Accountant stated that the Council was required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential Indicators (including specific Treasury Management Indicators) for the next three years to ensure that the Council's capital investment plans were affordable, prudent and sustainable. The Prudential Indicators were set out in Appendix 1 of the report and it was highlighted that the indicators were consistent with the Council's current commitments, plans and schemes to be approved at the Budget Council meeting on 1 March 2017.

The Council was also required to adopt a Treasury Management Policy and to set out a Treasury Management Strategy which comprised the Council's strategy for borrowing and the Council's strategy and policy for managing its investments. The Policy and Strategy had to be approved annually by the Council and the Audit and Governance Committee would receive quarterly updates on the performance of the Treasury Management function.

Members were directed to Appendix 2 of the report, the Treasury Management Policy Statement, which set out the Borrowing and Investment Strategies. The Chief Accountant reported that the Council continued to adopt best practice following CIPFA recommendations. He drew attention to the Council's Investment priorities; namely the security of its capital, the liquidity of its investments and that the Council aimed to achieve the optimum yield on its investments commensurate with the proper levels of security and liquidity. He explained that the Council had a detailed Lending List and criteria which must be observed when placing funds and these were determined using expert Treasury Management advice, view of money market conditions and using detailed rating agency information as well as using market intelligence. He added that limits were also placed on the amounts that could be invested with individual and grouped financial institutions based on the Lending List and detailed criteria which was regularly reviewed.

The Chief Accountant drew attention to the proposed Treasury Management Strategy Statement for 2017/2018 is set out in Appendix 3 of the report. He reported that there were no major changes being proposed to the overall Strategy in 2017/2018 which maintained the careful and prudent approach adopted by the Council in previous years. He advised that particular areas that informed the strategy included the extent of potential borrowing included in the Council's capital programme, the availability of borrowing, and the current and forecast world and UK economic positions, in particular forecasts relating to interest rates and security of investments.

The Chief Accountant stated that the Council's average rate of borrowing at 3.33% was low in comparison with other local authorities and the rate of return on investments of 0.83% was significantly higher than the benchmark rate of 0.23%. The Council's Treasury Management performance was also benchmarked with the majority of local authorities and was highly ranked for both its low average rate of borrowing and also for the rate of return achieved on its investments. Debt rescheduling undertaken by the Council in previous years had achieved significant savings in interest charges and discounts and these interest savings had been secured for many years to come. Market conditions were under constant review so that the Council could take a view on the optimum time to carry out further borrowing or debt rescheduling.

Appendix 5 to the report presented further detail on the global economic situation and underlined some potential threats moving forward and that the position and possible risks would continue to be monitored. The key word was uncertainty in view of the Brexit negotiations and the effects of the US presidential election and the affects would be closely monitored during the year. The Lending List Criteria and approved Lending List were also set out at Appendices 6 and 7 of the report.

Councillor Wood referred to the table on page 13 of the agenda which detailed the authorised limit for external debt and enquired whether there was a limit to the rate of increase as he had noted the gradual increase in borrowing over the period 2016 to 2020. The Chief Accountant explained that the increase reflected the Capital Programme of the Council and its borrowing commitments. He assured Members that the Council's external debt was continually monitored to ensure it remained prudent and affordable. The Interim Executive Director of Corporate Services advised that the increases had also been due to the larger Capital Schemes for the International Advanced Manufacturing Park (IAMP) and the Port Enterprise Area.

Councillor Wood then questioned how the operational boundary for external debt compared for the same time period. The Interim Executive Director of Corporate Services advised that the Council used reserves and internal resources rather than external borrowing due to low investment rates, meaning that external debt would be below the operational boundary. He added that the Council would undertake additional external borrowing in order to take advantage of low rates during the time period of the strategy.

In referring to the 0.5% increase in the Base Rate anticipated in the second quarter of 2019, Councillor Wood stated that was somewhat a long period of time to hope that the interest rates did not rise. The Interim Executive Director of Corporate Services agreed however external advisors had predicted that there would not be a shift in the interest rates during the Brexit negotiations.

Having been asked if there was a particular trend in relation to the Council's net deficit of £61.1 million, the Interim Executive Director of Corporate Services reported that there was an increase however it would be gradually as the Council had to manage its finances with significantly less government funding. This was likely to impact in the form of increased borrowing and reductions to reserves, with the result that the net borrowing position of the Council would increase.

Councillor Wood then asked if there would be any merit in employing external fund managers and was advised that the all funds were being managed by the in-house team. The Interim Executive Director of Corporate Services reported that as a prudent and a value for money approach had been taken in relation to the management of funds in accordance with best practice, he did not foresee a need to employ external fund managers. Should the Council appoint any external fund managers in the future, they would have to agree to strict investment limits and investment criteria and also be reported to Cabinet for agreement prior to any external fund manager being appointed.

Members having commended the report, it was:-

24. RESOLVED that: -

- (i) the proposed Annual Treasury Management Policy and Strategy for 2017/2018 (including specifically the Annual Borrowing and Investment Strategies) and the Prudential 'Treasury Management' Indicators 2017/2018 to 2019/2020 be noted; and
- (ii) the Council be advised that the Committee was satisfied that the arrangements for Treasury Management were in an excellent position for the next and future years.

External Auditor – Audit Progress Report

The external auditors', Mazars LLP, regular Audit Progress Report covering the period up to February 2017 was submitted.

In highlighting the report, Gavin Barker, Senior Manager, advised that the audit planning for the 2016/2017 audit year was well underway and the detailed Audit Strategy Memorandum would be presented to the Committee at its next meeting. He advised that the discussions were underway with officers to trial a new timetable for the accounts and audit in advance of the requirement for 2017/2018. The aim would be for the draft accounts to be certified by the end of May and the audit to be completed by the end of July rather than September. He explained that the shorter timescales would necessitate an additional meeting to be arranged in July and would circulate the draft accounts by email to the Committee for comments. He assured the Committee that he was confident that the new deadlines would be met.

Gavin reported that he had attended the meeting of the Governance Forum with the Chairs and Vice Chairs of Audit Committees and officers on Wednesday 8 February 2017. He highlighted that Paul Davies, Head of Assurance, Procurement and Performance Management lead a session on the development of an assurance framework. Other authorities had been very impressed with how Sunderland had continued to achieve an impressive assurance framework with reduced resources.

In conclusion, Gavin thanked the officers from Sunderland Council that attended the annual final accounts workshop for local authorities and hoped that they had found the information presented beneficial.

The Chairman commended the presentation given by Paul at the Governance Forum. He reported that the assurance framework dashboard had been five years in development and now enabled more focus on the real issues requiring attention rather than copious reporting processes. He had noted the compliments on the presentation from other attendees at the forum and was delighted that Sunderland was at the leading the way with innovative ways of working.

Councillor Wright commended the Interim Executive Director of Corporate Services and his team on the encouraging reports, particularly when they had been considered at the Scrutiny Coordinating Committee, despite the Council's difficult circumstances due to Government funding reductions.

Consideration having been given to the report, it was:-

25. RESOLVED that the Audit Progress Report be noted.

(Signed) G N COOK
Chair

AUDIT AND GOVERNANCE COMMITTEE

5 May 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 1st 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 14th 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.

Risk and Assurance Map

Strategic and Corporate Risk Areas		
	Current Risk Score	Cumulative Assurance Position
Strategic Risk Areas		
Growing the Economy		
Improving Education and Skills		
Improving Health and Wellbeing		
Supporting Vulnerable Children and Families		
Supporting Vulnerable Adults and Carers		
Building Resilient Citizens and Communities		
Corporate Risk Areas		
Commissioning		
Strategic Planning		
Service/Business Planning		
Service Delivery Arrangements		
Performance Management		
Partnership/Integrated Working		
Procurement		
Relationship/Contract Management		
Legality		
Risk Management		
Performance Reporting		
Strategic Financial Management		
Financial Reporting		
Financial Management		
Income Collection		
Capital Programme Management		
HR Management		
ICT Infrastructure		
Cyber Security		
Information Governance/Security		
Business Continuity Management		
Programme and Project Management		
Asset Management		
Anti-Fraud and Corruption		
Council Owned Companies		
Sunderland Care and Support		

2016/17										
1st Line	2nd Line								3rd Line	
Management Assurance	Other Internal Assurance Activity								Internal Audit	External Assurance
	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	HR &OD	Business Continuity	Risk and Assurance		
X		X	X	X				X		
X			X	X				X		
X			X	X				X	X	
X		X	X	X				X		
X		X	X	X				X		
X				X				X		
X								X	X	
X				X				X	X	
X				X				X	X	
X				X				X	X	
X								X	X	
X	X							X	X	
X								X	X	
				X					X	
		X							X	X
		X							X	
X		X						X	X	X
		X						X	X	X
		X						X	X	
X						X		X	X	
X					X			X	X	
					X			X	X	
X	X							X	X	
X							X	X	X	
X			X					X	X	
X									X	
X									X	
X		X								

Key: X=activity planned, White=no coverage, Green=full / substantial assurance, Amber=moderate assurance, Red=limited / no assurance

STRATEGIC RISK PROFILE 2016-20

Risk Likelihood	Risk Impact
1 = Unlikely	1 = Minor
2 = Possible	2 = Moderate
3 = Likely	3 = Significant
4 = Almost Certain	4 = Critical

4	3	2	1
3	2	1	
2	1		
1			
	1	2	3
			4

Negative Impact

Corporate Plan Priority actions	ID	Strategic Risk Description	Cause	Impact	Current Controls	Original score			Target score			Current Score		
						Impact	Likelihood	Rating	Impact	Likelihood	Rating	Impact	Likelihood	Rating
1) Maximising the opportunities from the Economic Leadership Board	R001	Councils contribution to the 3,6,9 Vision fails to deliver the required outcomes	Uncertainty following BREXIT leading to greater caution by Investors. Reduction In Public Sector Budgets/Funding leading to a reduction in resources Proposed projects and actions do not deliver sustainable benefits	Delay in regenerating the city and its key themes of Economy, Housing, Connectivity, Culture and Education	Economic Masterplan 3,6,9 Vision Council officers attend ELB	4	3	12	4	2	8	4	3	12
2) Planning City Growth (Local Plan)	R002	The Local Plan produced by the Council is not accepted by the Planning Inspectorate	The Planning Inspectorate do not accept that our growth aspirations are supported by appropriate evidence and consultation.	Land is not allocated for the appropriate type of development eg housing development. We are unable to take land out of the greenbelt Loss of New Homes Bonus if plan not agreed by March 17	National Planning Policy Framework DCLG Project Plan, Project Board and governance arrangements Regular Liaison with PINS	3	3	9	3	1	3	3	3	9
3) Sector Growth. IAMP Enterprise Zones	R003	Unable to attract commercial / manufacturing interest to our development sites	Target sectors including automotive, low carbon, and offshore engineering, do not prosper under Brexit (we are no longer seen as a route into Europe) Supporting infrastructure is not in place to attract business	Fail to grow the local economy, create jobs	Economic Masterplan 3,6,9 Vision	4	3	12	4	2	8	4	2	8
4) Sunderland as a Place to Invest	R004	Failure to provide appropriate conditions to support viable / sustainable investment opportunities in the City, including effective marketing.	Investors requirements are not satisfied in relation to: land, skilled workforce, housing, physical and digital connectivity	Fail to grow the local economy, create jobs and increase business rates.	3,6,9 Vision	4	3	12	4	2	8	4	2	8
5) Regenerating the City Centre (Key sites)	R005	Failure to attract investment to support regeneration of the City Centre	Developer uncertainty as to the return they will receive on their investments due to macro economic issues Delays in obtaining planning permission to develop the sites.	Decline of the City Centre and loss of business rates	Siglon business plan City Centre Masterplans Sunderland BID (Business Improvement District)	4	3	12	4	2	8	4	2	8
6) More and Better Infrastructure SSTC	R006	Failure to realise the economic regeneration / benefits, arising from the investment in the SSTC programme.	The land adjoining the transport corridor is in private ownership and the Council has no direct control over investment activity	Local economy is not expanded by new and developing businesses.	SSTC programme MAKE it Sunderland	3	3	9	3	2	6	3	3	9
7) More and Better Housing Development	R007	Housing developers are not attracted to Sunderland	Uncertainty following BREXIT leading to greater caution by developers in opening new sites Diverse housing market requirement including student accommodation better care housing and executive homes Reduction in home owners and an increasing rental sector Delays in agreeing a Local Plan which sets out the areas available for development	Fail to improve the housing offer to retain and attract residents to Sunderland	Housing Strategy Siglon business plan	3	3	9	3	2	6	3	3	9
8) Regenerating the Coast Seaburn Phase 1 Roker Park restoration	R008	Opportunities are not taken to regenerate the coast in a timely manner or development is restricted by lack of resources	Failure to obtain Coastal Communities CC4 funding	Unable to increase the housing offer, develop businesses, increase visitors or add to the cultural offer of the City	Seaburn Masterplan	3	2	6	3	1	3	3	3	9

Appendix 2

Assurance												
Overall Assurance	1st Line	2nd Line								3rd Line		
	Management Assurance	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	HR and OD	Business Continuity	Risk and Assurance	Internal audit	External Assurance	
Growing the Economy	X			X	X				X			
	X				X				X			
	X		X	X	X				X			
	X		X		X				X			
	X				X				X			
	X			X	X				X			
	X				X				X			

Corporate Plan Priority actions	ID	Strategic Risk Description	Cause	Impact	Current Controls	Impact Likelihood	Rating	Impact Likelihood	Rating	Mitigating Actions	Action Lead	Timescale	Impact Likelihood	Rating	Overall Assurance	Management Assurance	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	HR and OD	Business Continuity	Risk and Assurance	Internal audit	External Assurance
9) Developing the Cultural Offer	R009	City's cultural offer does not contribute to the city being an attractive and vibrant place to invest, work, learn, live and visit	The Partnership is not successful in delivering cultural ambitions	Reduced opportunity to attract additional tourism, lack of contribution to the wellbeing of citizens	Cultural strategy Establish Culture company Bid for City of Culture	3	2	6	3	1	3	Establish the Culture company and develop a revised Culture Strategy Bid for National Portfolio Organisation Funding	Executive Director of People Services	April 2017 January 2017	3	2	6		X						X	
10) Regional and Sub regional working	R010	Sunderland is not fully aligned with the approach and aspirations of regional working and is therefore unable to take advantage of the opportunities presented by the North East Combined Authority (NECA) to benefit the people of Sunderland.	Sunderland continues to carry out activities in isolation in areas where there is a regional approach supported by regional funding	Sunderland's ambitions could be at risk due to activity co-ordinated through regional strategies. Missed opportunities for investment and development of skills	NECA Corporate Plan	4	4	16	4	2	8	Officer and Members to be fully aligned with the NECA arrangements and work proactively with the NECA to develop the region whilst protecting the interests of Sunderland Our priorities and actions to be aligned with regional and sub regional activities	Chief Executive / Director of Strategy, Partnerships and Transformation	Realignment of Sunderland position and understanding of the impacts of recent developments December 2017	4	4	16		X					X		
11) Maximising the opportunities from the Education and Skills Partnership	R011	Education and Skills Strategy Delivery Plan does not drive effective development of knowledge and skills	There is insufficient educational/vocational provision in the city to fulfil the needs of employers	City and individuals will not have the skills to take advantage of economic development	Education and Skills Partnership	4	4	16	4	3	12	Facilitate relationships between employers, education/skills providers and students Inform and influence education/skills providers regarding the priorities for employers Identifying the knowledge and skills required by employers	Director of Children's Services	01 September 2017	4	4	16		X		X			X		
12) Ready for School, Ready for Work, Ready for Life aspirations and achievement	R012	The Council is not able to fulfil its statutory responsibility and/or achieve desired outcomes for Children and young people	Local authorities no longer control, direct or dictate education provision but they still have a statutory duty to "promote fulfilment of potential" There are further challenges and opportunities arising from the creation of Together for Children	Children and young people do not have the skills, attributes, qualifications and experiences to release their full potential	Commissioning and contract management arrangements	4	4	16	4	3	12	The Council's commissioning intentions are clearly set out in the contract with Together for Children Develop strong relationship and performance management arrangements to deliver the agreed outcomes Arrangements are put in place to facilitate positive relationships with and between the Council, Together for Children, maintained schools and academies Work required to ensure the provision of nursery places for 3 year olds in line with the Governments timelines.	Director of Children's Services Executive Director People Services	April 2017 September 2017	4	4	16		X		X			X	X	
Attract and retain young people	R013	More highly skilled people leave to find employment out of the region	Young people leave the city to further their ambitions and aspirations	Increased outward migration	Economic masterplan 3,6,9 Vision Culture strategy	3	3	9	3	2	6	Understand the factors that would influence young people to remain in the City and develop action plan to address issues	Director of Children's Services	April 2017	3	3	9		X					X		
13) Maximising the opportunities from the Health and Wellbeing Board Support the development of delivery plans for the 8 Health and Wellbeing Board (HWBB) priorities for action	R014	Partner's resources and priorities are not aligned to achieving common outcomes of the Health and Wellbeing Board	Financial pressures on public services results in a move away from prevention to short term fixes Effective early interventions are not taking place to reduce long term health problems	Health and wellbeing standards are not raised	Health & Wellbeing Board Priority Delivery Plans Joint Strategic Needs assessment	4	3	12	4	2	8	Undertake a review of the priorities to be delivered by the Health & Wellbeing Board. Meetings to be arranged between the Health and Wellbeing Board and Economic Leadership Board	Director of Public Health	September 2017 May 2017	4	3	12		X		X			X		
14) Health and Social Care Integration and whole-system innovation	R015	Current and planned activity to integrate and commission services is not transformational enough to continually deliver required outcomes and budget savings	Insufficient engagement and missed opportunities to utilise alternative providers in order to reduce demand. Financial pressures on NHS and Council budgets and increasing demand for services and a reduction in early interventions	Failure to achieve the benefits for citizens Continuing financial and demand pressures negative impact on key performance indicators of the Council and Health Continued inefficiencies within the system	Health & Social Care Integration Board Health and Wellbeing Board Providers Board	3	3	9	3	2	6	Successful delivery of the Vanguard action plan Delivery of efficiency savings Plans to deliver Multi Community Provider and revised approach to Better Care Fund will deliver change. In addition joint MTFS with health will also mitigate impact.	Executive Director of People Services	April 2017 April 2018	3	3	9		X		X			X	X	
16) Transform Key Children's Services Establish the Company	R016	Safeguarding practice does not substantially improve to make children safer.	There is not a clear understanding of what "Good" looks like. Lack of swift and appropriate decision making	Children are not adequately safeguarded	Ofsted Inspections Scrutiny Improvement Plan Together for Children, Culture and Policies.	4	4	16	4	2	8	Deliver the improvement plan that has been agreed with Ofsted Embed a culture of good performance and quality	Director of Children's Services	Dec-17	4	4	16		X		X				X	

Corporate Plan Priority actions	ID	Strategic Risk Description	Cause	Impact	Current Controls	Impact Likelihood	Rating	Impact Likelihood	Rating	Mitigating Actions	Action Lead	Timescale	Impact Likelihood	Rating	Overall Assurance	Management Assurance	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	HR and OD	Business Continuity	Risk and Assurance	Internal audit	External Assurance	
17) Looked After Children Improve the life chances for the most vulnerable children in the city	R017	Timely and sustainable solutions are not implemented to improve the life chances for the most vulnerable children in the city	Assessments and Care Plan reviews do not provide the right help at the right time	Children remain in care for longer periods than necessary and are at a higher risk of becoming NEET	Ofsted Inspections Adoption Process Scrutiny Performance management Improvement Plan	4	4	16	4	2	8	Looked-after children have access to high quality care planning, review and support. They are supported in stable care placements and have access to and attend good schools	Director of Children's Services	April 2017	4	4	16										X
19) Early Help and Social Care Reduce risk to vulnerable children	R018	Timely interventions are not undertaken to deliver early support to vulnerable children	Children's needs are not clearly understood and effectively addressed Issues are often complex requiring a multi agency response	Children become increasingly at risk Increased number of Children in care	Ofsted Inspections Performance management Improvement Plan	4	4	16	4	3	12	Children and families in need of help are identified and multi-agency services act together to improve outcomes	Director of Children's Services	April 2017	4	4	16										
20) Adult Social Care Further develop Sunderland Care and Support Ltd	R019	Unable to develop a sustainable business and there is an immature market to provide alternative delivery	Pension, tax and other costs are not accurately quantified. Business not in line with required expectations	Unable to support vulnerable adults Savings not achieved Significant additional cost to the Council	Contract Company Board Contract management arrangements	4	4	16	4	2	8	Business plan is subject to scrutiny and challenge by appropriate specialists Consideration of opportunity to develop the market. SCAS to be part of Multi Community Provider and lead provider model for mental health & learning disabilities. Efficiency plan agreed and in place for 2017/18.	Head of Integrated Commissioning	April 2017 April 2018	4	4	16	Supporting Vulnerable Adults and Carers	X		X					X	
21) Welfare Reform mitigate the impacts of welfare reform	R020	Individuals do not maximise their access to welfare benefits	Individuals do not understand the support available following benefit reforms	Increased poverty and homelessness	Health & Wellbeing Board Priority Delivery Plans	4	3	12	4	2	8	Challenge practice and systems at a national level Work with partners to support people to help themselves to minimise impact of welfare reform	Head of Integrated Commissioning	March 2018	4	3	12	Building Resilient Citizens and Communities	X			X			X		

CORPORATE RISK PROFILE

Risk Likelihood	Risk Impact
1 = Unlikely	1 = Minor
2 = Possible	2 = Moderate
3 = Likely	3 = Significant
4 = Almost Certain	4 = Critical

4				
3				
2				
1				
	1	2	3	4

Negative Impact

ID	Risk Areas	Risk Description	Cause	Impact	Current Controls	Original score			Target score			Mitigating Actions	Source of Assurance	Current score		
						Impact	Likelihood	Rating	Impact	Likelihood	Rating					
R01	Commissioning	Commissioning decisions are not based on appropriate intelligence	Appropriate intelligence is not gathered, e.g. performance data is incomplete, is out of date, or is not appropriately analysed or assessed to determine the needs of the community Do not engage with the appropriate sectors of the community / market	Ineffective use of limited resources. Customers outcomes are not achieved resulting in more expensive interventions being required.	JSNA Community engagement arrangements	4	2	8	4	1	4	Identify intelligence required and potential sources to inform decisions. Develop engagement plans to gather the required information Analyse the information and use the results to inform the commissioning decisions, using the intelligence team	Governance questionnaire Internal Audit	4	2	8
R02		Most appropriate and cost effective commissioning option to meet identified needs and achieve commissioning priorities and outcomes is not chosen	Failure to identify and evaluate all the possible commissioning options of delivering services taking into account the resources available. Failure to build or shape capacity in 'market' and cooperative working eg partnerships to enable effective service options to be place to help achieve commissioning priorities and outcomes Inadequate options appraisal process Lack of resource or expertise	Commissioning priorities and objectives are not achieved so community needs not being met. Ineffective use of limited resources.	Procurement and Commissioning Guidance	4	2	8	4	1	4	Options appraisal undertaken on service design following assessment of customer needs Appropriate procedure followed to commission the preferred option, eg, procurement, service re-design	Cabinet reports Governance questionnaire Internal Audit	4	2	8
R03		Commissioning assessment process is not undertaken on a timely or regular basis.	Inadequate resources Insufficient forward planning for contracted services	Changes in need of community are not identified promptly Inappropriate use of limited resources Community's real needs are not met Existing contracts extended where it may not be the optimal solution		4	2	8	3	1	3	Review of performance to ensure service delivery model is delivering outcomes Commissioning Cycle to include planned review date either linked to outcome or contract timescales	Governance questionnaire Internal Audit	4	2	8
R04	Strategic Planning	The priorities set out in the Corporate Plan do not align with the defined needs of the community	Corporate planning process does not adequately reflect the views of the community. Various sections of the community are not engaged	Fail to contribute to the welfare and future prosperity of our communities	EMT JLT Corporate Planning Process	4	2	8	4	2	8	Corporate Plan driven by required outcomes and commissioning activity. Refresh of the JSNA to be undertaken	Risk and Assurance Team Internal Audit	4	2	8
R05		Strategic plans are not adequately communicated on a timely basis to relevant Council officers and external partners responsible for delivering plans	Lack of timetable re corporate / service planning Lack of communication plan	Lack of delivery of plans by those partners/services responsible	EMT JLT Corporate Planning Process	4	3	12	4	2	8	Once approved the Corporate Plan is communicated appropriately within the Council and with Stakeholders	Risk and Assurance Team Internal Audit	4	2	8
R06	Service / Business Planning	The service planning process does not deliver all the actions to achieve the Corporate priorities	Service Planning process does not identify all the actions required to achieve corporate priorities Individuals/service responsibility for delivery of strategic planning actions not identified or communicated Strategic planning process not completed prior to service planning.	Fail to contribute to the welfare and future prosperity of our communities		3	3	9	3	2	6	Service Planning process is driven by the Corporate Plan	Internal Audit	3	2	6
R07		Service/business plans are not communicated to relevant officer responsible for delivering plan task.	Lack of communication plan	Delay in or lack of delivery of business plan tasks.		4	2	8	4	1	4	Business plans are communicated to the relevant officers involved in delivering the plan	Governance questionnaire Internal Audit	4	2	8
R08	Service Delivery Arrangements	The level of services delivered by the council do not meet customer expectations	Lack of financial resources to invest in changing arrangements Lack of benchmarking to identify service development opportunities Lack of management time to consider delivery improvements Capability issues	Required outcomes for customers not achieved Reputational damage Wasted resources	Business Planning Process Performance management arrangements Transformation Programme	4	3	12	4	2	8	Performance in relation to the delivery of outcomes is regularly monitored	Corporate Performance management Internal Audit	4	3	12
R09		Service delivery arrangements are not resilient	Lack of tested business continuity and disaster recovery plans	Required outcomes for customers not achieved Reputational damage Wasted resources	Corporate business continuity arrangements	4	3	12	4	2	8	Business continuity plans are in place and are tested for critical services	Business Continuity Officer Internal Audit	4	3	12
R10	Performance Management	Performance management arrangements do not identify if all priorities are being achieved	Meaningful performance indicators are not identified in relation to all priorities / outcomes	Unable to establish if outcomes are being achieved	Performance management framework Performance reviews	4	2	8	4	1	4	Clear performance measures are in place to identify if outcomes are being delivered	Governance questionnaire Corporate Performance management Internal Audit	4	1	4
R11		No or inappropriate performance targets are set to define acceptable performance	Lack of knowledge as to realistic targets	Unable to understand if performance levels are acceptable		3	3	9	3	2	6	Targets should be set for all performance measures to clarify acceptable levels of performance	Governance questionnaire Corporate Performance management Internal Audit	3	3	9

Appendix 3

Assurance											
Overall Assurance	1st Line	2nd Line								3rd Line	
	Management Assurance	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	HR and OD	Business Continuity	Risk and Assurance	Internal audit	External Assurance
Commissioning	X								X	X	
	X		X						X	X	X
	X								X	X	
Strategic Planning	X				X				X	X	
	X				X				X	X	
Service / Business Planning					X					X	X
	X									X	X
Service Delivery Arrangements	X				X				X	X	
	X							X		X	
Performance Management	X				X					X	X
	X				X				X	X	

ID	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact Likelihood	Rating	Impact Likelihood	Rating	Mitigating Actions	Source of Assurance			
R12		Management fail to take prompt effective action in response to performance results reported or fails to follow up to ensure remedial action is effective	Lack of time to consider performance Performance information not accurate, timely or understood Management not held to account for performance Lack of resource or control to make necessary changes	No or delay in action taken to improve service which may have major impact on customers Poor reputation for Council	Corporate Performance management Performance Clinics	3	3	9	3	2	6	3	2	6
R13	Partnership / Integrated Working	Partner(s) do not perform their planned tasks as intended to deliver partnership objectives Objectives and priorities of Council and other partner(s) conflict/not aligned	Reducing resources forces partners to concentrate on their own priorities at the expense of partnership priorities Lack of communication of plans between partners Lack of partnership performance monitoring	Unable to achieve City/council priorities and support communities	Partnership Boards Economic Educational, Health & Wellbeing	4	3	12	4	2	8	4	3	12
R14		Lack of understanding by each partner as to objectives, and nature of partnership (e.g. responsibilities, if applicable, sharing of profits, costs or losses, dispute resolution, governance, decision making, planning, risk sharing)	Lack of formal comprehensive written partnership agreement	Resources wasted on dispute resolution or clarify arrangements. Delay in delivery of plans and outcomes for community		4	3	12	4	2	8	4	3	12
R15	Procurement	The product or service procured does not deliver the intended outcomes	Poor specification Lack of understanding what is needed by commissioner Poor communication between commissioner and procurement Inadequate evaluation process	Fail to obtain value for money Objectives/outcomes are not achieved Most appropriate commissioning options are not obtained	Commissioning process Procurement Procedure Rules	3	1	3	3	1	3	3	1	3
R16		Procurement breaches legal and Council requirements.	Lack of procurement procedure rules and training Lack of knowledge of legal/Council requirements Failure to adhere to requirements (deliberate, e.g. corruption or accidental)	Legal/financial penalties Challenge, delays in award Loss of reputation	PPRs in place Procurement have skilled staff CP support council officers	2	1	2	2	1	2	2	1	2
R17		Value for money not obtained	Lack of competition Corruption Inappropriate specification Poor procurement planning Goods/services used not subject to competitive process	Poor quality of goods/services and customer service Pay higher prices - waste of scarce resources		3	2	6	3	1	3	3	2	6
R18	Relationship / Contract Management	Contracts do not deliver the required objectives/outcomes	Lack of clear contract/specification provisions in place to allow effective management of the contract Lack of appreciation of importance of contract management during the procurement process Lack of clarity of clear measures and standards required by commissioner in specification to allow for contract management post award	Fail to obtain value for money, i.e. pay too much or poor service obtained Objectives are not achieved Excessive resources used on dispute resolution	Contract management framework Corporate Procurement support to officers	4	3	12	4	2	8	4	3	12
R19	Legality	Council fails to act within its statutory powers	Lack of Constitution, Procedure rules and / or delegation scheme etc. Constitution, procedure rules, delegation scheme are not communicated or understood by officers Decision makers have lack of access to legal expertise Lack of awareness of officers as to their legal responsibilities Changes in law are not recognised and implemented	Councils actions are found to be ultra vires Financial penalties Legal challenge Loss of reputation Delay in delivery of outcomes	Constitution and Procedure Rules	3	1	3	3	1	3	3	1	3
R20	Risk Management	Fail to identify and manage the major risks and opportunities to delivering priorities and plans	Risk Management process is not aligned with delivering priorities Management do not have resources for, or do not appreciate the importance of risk and opportunity management Risk appetite of the Council is not identified and communicated	Priorities are not achieved Loss of reputation Potential financial penalties	Risk management policy and strategy	3	2	6	3	1	3	3	2	6
R21	Performance Reporting	Performance reporting fails to give a full and accurate picture of the progress in achieving corporate priorities and outcomes	Performance reporting does not address all priority issues Performance measures are inappropriate Performance targets not set to aid evaluation of performance Performance data reported is inaccurate, out of date, difficult to understand or incomplete Performance reporting not timely	Reporting does not identify if achievement of all priorities are on track or if interventions are required Appropriate remedial actions are delayed.	Corporate Performance Reporting Framework	3	1	3	3	1	3	3	1	3
R22	Strategic Financial Planning / MTFS	Strategic financial plans do not align to Council priorities, objectives and direction as set out as part of the corporate plan	Corporate and financial planning processes are not coordinated to allow plans to be aligned. Financial planning process does not involve consultation with key decision makers in Council both councillors and officers.	Plans made which are not adequately resourced Failure to achieve plans and outcomes for community Council financial resources overstretched.		4	2	8	4	1	4	4	1	4
R23		Strategic financial plans fail to take into account all critical factors likely to affect the Council's finances moving forward, e.g. changes in government funding streams, changes in amounts of funding, inflation, pay awards, potential liabilities, demand for services, current financial performance, level of financial reserves needed, planned projects etc.	Poor intelligence gathering or horizon scanning Lack of resources Lack of consultation/communication with senior officers	Decisions made with inaccurate information Plans made which are not adequately resourced Failure to achieve plans and outcomes for community Council financial resources overstretched		3	1	3	3	1	3	3	1	3

Overall Assurance	Management Assurance	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	HR and OD	Business Continuity	Risk and Assurance	Internal audit	External Assurance
	X				X					X	
Partnership / Integrated Working									X	X	X
	X									X	
Procurement	X								X	X	
									X	X	
Relationship / Contract Management	X								X	X	
Legality	X	X							X	X	
Risk Management	X								X	X	
Performance Reporting					X					X	
Strategic Financial Planning / MTFS			X	X						X	
			X							X	X

	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact Likelihood	Rating	Impact Likelihood	Rating	Mitigating Actions	Source of Assurance				Overall Assurance	Management Assurance	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	HR and OD	Business Continuity	Risk and Assurance	Internal audit	External Assurance
R24	Financial Reporting	Financial reporting fails to reflect on how financial changes in one area impacts on other areas of the council	Financial savings in one area may have a more than proportionate increase in other service areas	Efficiencies are not achieved	Financial Reporting Procedures	3	1	3	3	1	3	The Council's financial position is regularly reported to the Executive Management Team and Members	Financial Resources	3	1	3		X							X	
R25		Financial reporting fails to give a full and accurate picture of the progress to achieving corporate financial priorities and targets	Financial reporting does not address all priority issues Financial performance measures are inappropriate Financial targets not set to aid evaluation of performance Financial performance data reported is inaccurate, out of date, difficult to understand or incomplete Financial performance reporting not timely	Financial reporting does not identify if achievement of all priorities are on track or if interventions are required Appropriate remedial actions are delayed.	Corporate Performance Reporting	3	1	3	3	1	3	Financial performance reporting is aligned to performance reporting to identify any potential inaccuracies on inconsistencies	Financial Resources Corporate Performance Management	3	1	3		X		X					X	
R26	Financial Management	Management fail to manage financial performance or take appropriate prompt effective action in response to poor financial performance results reported.	Lack of time to consider performance Performance information not accurate or understood Management not held to account for performance Lack of resource or control to make necessary changes	No or delay in action taken to improve finances Poor reputation for Council	Financial management framework	3	1	3	3	1	3	The financial management framework ensures that managers are regularly review their financial performance and are taking appropriate remedial action where necessary.	Financial Resources	3	1	3	X	X						X	X	X
R27		The Council fails to pay its employees (and those of other clients) on time	Lack of resources to process the changes to the payroll Lack of a clear timetable for the submission of information Lack or payroll staff with the required training	Delay in making salary payments Claims from employees for costs incurred for late payment of bills Loss of reputation as a payroll provider	Policies and procedures in place for operating the payroll system	3	1	3	3	1	3	Controls in place to ensure that the payroll runs are complete and accurate operate efficiently	Internal Audit	3	1	3									X	X
R28		The Council fails to make payments to its suppliers and clients on time	Lack of resources to process the required payments Lack of controls in place to ensure payments are processed per the required timescales	Loss of reputation with suppliers Claims for interest for late payments	Procedures in place within the Purchase to Pay system	3	1	3	3	1	3	Procedures required for making payments on time are up to date and fully understood by staff within the payments service	Internal Audit	3	1	3									X	X
R29		The Council fails to process payments for housing benefit accurately or on time	Poor assessment procedures Lack of timetable for assessing claims Delay in the processing of claims	Customers do not receive the correct amount of benefit resulting in financial hardship Customers receive their payments late causing unnecessary debt	Assessment procedures and performance indicators in place	4	1	4	4	1	4	Established procedures are in place and followed by adequately trained staff for the assessment and processing of benefit claims	Internal Audit	4	1	4									X	X
R30	Income Collection (including CT/NNDR)	Council fails to bill and or promptly collect the income that is due to it	Lack of resources Inadequate procedures for raising accurate bills Inappropriate methods to allow customers to pay bills Over generous credit terms Economic conditions increase the number of bad debtors Procedures fail to identify non payments Ineffective enforcement of credit control arrangements	Financial loss. Unable to balance the budget	Financial procedure rules	3	1	3	3	1	3	Regular monitoring that the income received is in line with that expected as per the Council's budget	Financial Resources Internal Audit	3	1	3		X							X	X
R31		Prosperity within the City fails to grow resulting in the expected level of income being uncollectable	Number of businesses in the City reduces or does not grow Increased number of families suffering financial hardship Debts increase and become harder to recover	Financial loss Negative impact on cashflow Inability to achieve financial targets	Economic regeneration activity	4	3	12	4	2	8	Clear performance measures and regular monitoring of the debtor position	Financial Resources Internal Audit	4	3	12		X						X		
R32	Capital Programme Management	Capital projects do not support the delivery of strategic priorities and desired outcomes	Capital projects are based on available funding and not linked to priorities. Inadequate business cases for projects	Priorities are not delivered City does not have the required infrastructure Poor integration of city developments	Capital Programme Board	3	1	3	3	1	3	The Capital Programme is directly aligned to the Council's Corporate Plan and strategic priorities	Financial Resources Internal Audit	3	1	3		X						X	X	
R33		The intended benefits of external funding for capital projects are not maximised	Lack of awareness of funding conditions Poor planning Poor monitoring of projects Unforeseen delays in projects	Loss of funding Council resources used to fill funding gaps Other planned projects postponed	Capital Programme Board	3	3	9	3	2	6	Corporate approach to planning and monitoring of the delivery of the wider benefits of the Capital Programme	Financial Resources Internal Audit	3	3	9								X	X	
R34	HR Management	The council does not have the required skills and capacity to deliver the City's priorities	Shrinking workforce leading to a reduction in capacity and skills Rapid loss of key/senior officers and associated expertise Lack of effective workforce planning to ensure Council has workforce to meet needs of Council going forward Insufficient resources to maintain effective HR management resource and arrangements Insufficient training and development	Delay or increased costs in delivering priorities	Monthly performance management arrangements for KPIs	3	3	9	3	2	6	Workforce planning strategy in place that is appropriately monitored to ensure it is effectively implemented	Head of HR and OD Internal Audit	3	3	9	X					X		X	X	
R35		Reduction in productivity and morale of workforce	Increasing workloads Instability due to ongoing changes Job insecurity Impact of Workforce Transformation, i.e. pay protection ending	High absence/sickness rates Stress related absence Lower standards of service delivery Increased costs	Monthly performance management arrangements for KPIs	4	3	12	4	2	8	Recognition of reduced capacity Employees feeling valued and supported	Governance questionnaire Head of HR and OD Internal Audit	4	3	12	X					X			X	
R36		The Council fails to protect the health and safety of its employees, customers and visitors to its buildings	Lack of an assessment of the health and safety risks Failure to take action to minimise the risks Lack of awareness of employees on the actions to take to keep people safe	Death or injury to an employee, customer or visitor Resultant financial claims Loss of reputation	Health and safety policies and procedures and regular reporting of H&S Pis.	4	2	8	4	1	4	Manager understand the requirements of undertaking health and safety risk assessments in line with corporate guidelines and are capable of appropriately assessing the risks and taking corrective action	Head of HR and OD Internal Audit	4	2	8	X					X			X	

	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact Likelihood	Rating	Impact Likelihood	Rating	Mitigating Actions	Source of Assurance				Overall Assurance	Management Assurance	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	HR and OD	Business Continuity	Risk and Assurance	Internal audit	External Assurance	
R37	ICT Infrastructure	The ICT infrastructure is not fit for purpose (i.e. not meet needs of Council, not reliable, too expensive)	Reducing resources impacts upon the ability to maintain a stable infrastructure Lack of funds to maintain/upgrade infrastructure Lack of understanding of importance of role of ICT in delivering more efficient and effective services Lack of understanding of extent of reliance on ICT Lack of expertise and time to understand Council IT needs and to design and implement appropriate solution Lack of planning Fragmented and numerous IT systems used by Council historically Lack of communication between management and ICT of Council needs and how ICT support	Disruption to service provision impacting on delivery of priorities Waste of financial resources due to excessive cost Less efficient and effective service delivery Loss of productivity	ICT development plan	4	2	8	4	1	4	The ICT strategy is clearly aligned to the priorities of the Council and the direction of travel for the provision of Council Services	ICT Internal Audit Business continuity officer	3	2	6						X	X	X	X		
R38		ICT infrastructure is not resilient to 'disasters'	Lack of planning for disasters (prevent or respond to) No adequate business continuity/disaster recovery ICT infrastructure in place Lack of business continuity/disaster recovery plan which has been tested Key employees not briefed as to their disaster recovery responsibilities	Disruption to service provision impacting on delivery of priorities Loss of productivity Waste of financial resources due to excessive cost Less efficient and effective service delivery Loss of productivity		4	3	12	3	2	6	Disaster recovery plans clearly linked to the provision of critical services, regularly tested and the recovery timescales reflected in the business continuity plans for critical services	ICT Internal Audit Business continuity officer	4	2	8		X				X	X	X			
R39	Cyber Security	The Council unnecessarily exposes itself to vulnerabilities & threats, both internal & external, (e.g. hacking, phishing, denial of service attack) as a result of its connection to the internet resulting in an increased exposure to the confidentiality, integrity & availability of systems & information	Lack of appreciation by management of threat/risks of cybercrime to Council's operations Low priority given to cybersecurity Lack of cybercrime prevention culture created (lack of cybersecurity policies and procedures (prevention and response), lack of ongoing employee training/awareness) Lack of monitoring of alerts/warnings, e.g. no Security & Incident & Event Management (SIEM) solution in place Lack of investment in existing infrastructure increases level of vulnerability PCIDSS vulnerability test results not actioned in suitable time scales Lack of resources Lack of understanding of what valuable data the Council holds	Loss of public trust, customer confidence, finance and reputational damage Fines / compensation Loss of systems or data loss Major business disruption.	Strategic Information Governance Group Operational Information Governance Group	4	3	12	4	2	8	A Cyber security Strategy is in place, including and threat assessment, development plan and response plan	ICT Internal Audit	4	3	12						X			X	X	
R40	Information Governance / Security	Council's data is not accurately protected	Information and data can be lost, stolen, exposed or corrupted through inadvertent human error and inherent weaknesses in existing information and data security arrangements. The Council is not aware of the data it holds or ensures that it is complete and accurate. Protection arrangements do not prevent unauthorised access and use of data.	Loss of public trust and reputational damage Fines / compensation	Strategic Information Governance Group Operational Information Governance Group	3	3	9	3	2	6	Council has appropriate information governance and security arrangements in place which are complied with throughout the organisation	Law and Governance Governance questionnaire Internal Audit	3	3	9		X	X						X	X	X
R41	Business Continuity Management	The Council's business critical services cannot function in the event of an incident	Business Continuity Plans not up to date, reviewed or revised to reflect organisational, procedural and staff changes Business continuity plans are not tested appropriately	Services are unable to respond in adverse conditions	Corporate Business Continuity Group Business Continuity plans	4	3	12	4	2	8	Business continuity plans are reviewed and tested on a regular basis	Business Continuity Officer Internal Audit	4	3	12		X						X	X	X	
R42		Lack of awareness of content of business continuity plans	Lack of effective communication strategy Lack of testing	Services are unable or slow to respond appropriately to disasters when occur affecting services to community, safety of individuals Loss of reputation		4	3	12	4	2	8	Relevant staff are made aware of the content of the business continuity plans and understand their role in implementing them	Business Continuity Officer Internal Audit Governance questionnaire	4	3	12		X						X		X	
R43	Programme / Project Management	Programmes and projects fail to deliver the desired benefits and outcomes	Lack of agreed Project Management Standards Lack of Project Plans and Governance Lack of monitoring of achievement	Fail to obtain value for money. Programme and Project objectives are not achieved	Corporate Project /Programme management arrangements	3	2	6	3	1	3	The expected benefits of programmes and projects are clearly set out at the start and their achievement monitored throughout	Prohct Office Risk and Assurance Internal Audit	3	2	6		X		X					X	X	X
R44	Asset Management	Opportunities are not taken to maximise the use of assets (land and property). Assets are not fully utilised	Council does not "sweat" its assets to obtain the maximum returns Fail to maintain property Changes in size and direction of Council and services it provides Lack of asset management planning Changes in how services delivered Changes in technology Assets become uneconomic to run Lack of investment in asset management planning Council unaware of assets it owns	Fail to increase council income. Fail to decrease costs	Asset Management plan	3	3	9	3	2	6	The use of Council assets are monitored on an ongoing basis, particularly in response to changing staffing levels and changing service delivery models	Internal Audit	3	3	9				X					X	X	
R45		Lack of appropriate maintenance of physical assets	Lack of resources Lack of planning Lack of monitoring or conditions of assets	Assets unable to be used so poor service to customers Waste of financial resources Lack of safety to the public or employees		4	3	12	4	2	8	Condition of assets to be monitored on an appropriate basis and maintenance scheduled as required	Internal Audit	4	3	12		X								X	

ID	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact	Likelihood	Rating		Impact	Likelihood	Rating	Mitigating Actions	Source of Assurance				Overall Assurance	Management Assurance	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	HR and OD	Business Continuity	Risk and Assurance	Internal audit	External Assurance
R46	Anti Fraud and Corruption	Council fails to prevent, detect and investigate acts of fraud and corruption	Relaxation of controls due to a reduction of resources Lack of antifraud culture created Lack of anti fraud and corruption procedures embedded into processes	Financial loss and loss of resources that could have spent on achieving priorities	Anti fraud and corruption policy	2	2	4		2	2	4	Managers are aware of the fraud risks within their area and maintain appropriate controls baring in mind changes to service delivery and staffing levels	Governance questionnaire Internal Audit	2	2	4	Anti Fraud and Corruption	X									X	

Internal Audit Coverage

Key Risk Area	2013/14 Audits / Opinions		2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		Scope of 2016/17 Audit	Overall Opinion
Commissioning			Commissioning (Community In-Reach)	L	Commissioning (Substance Misuse)	L				
Strategic Planning							Corporate Service Planning Arrangements	S	Audit of the level of compliance with the new planning framework	
Service/Business Planning	Corporate Service/Business Planning	M	Corporate Service Planning Arrangements		Community and Family Wellbeing		Transformational Change Programme		A review of the programme delivery arrangements including the arrangements for consultation with service users	
	Community and Family Wellbeing - Governance Arrangements	L	Community and Family Wellbeing - Governance Arrangements		Adoption Service		Corporate Service Planning Arrangements	S	Audit of the level of compliance with the new planning framework	
	Derwent Hill	M	Multi Agency Safeguarding Hub		Multi Agency Safeguarding Hub		Ethos		A review of the proposed arrangements for spinning out HR & OD services	
	Out of Area Placements	L	Port Governance Arrangements	M	Commissioning	L				
	Operations Asset Management	M	LEP Accountable Body Arrangements	S	Corporate Service Planning Arrangements	S				
Service Delivery Arrangements	Community and Family Wellbeing Governance Arrangements	L	Customer Services Network	M	Community and Family Wellbeing		Better Care Fund			
	Out of Area Placements	L			Adoption Service		Transformational Change Programme		A review of the programme delivery arrangements including the arrangements for consultation with service users	
	Web Content Development	M			Multi Agency Safeguarding Hub		Leaving Care Grants	L	A review of the controls in place to manage monies due to young people leaving care	

Key Risk Area	2013/14 Audits / Opinions		2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		Scope of 2016/17 Audit	Overall Opinion
	Crisis Loans/Social Fund	S			Safeguarding and Quality Assurance Unit		Ethos		A review of the proposed arrangements for spinning out HR & OD services	
					Commissioning	L	Business Continuity Planning		An audit of the BCP arrangements in People Services	
					Personal Budgets	S				
					Accounting/General Ledger	S	Bereavement Services	S	Review of the proposed changes to service systems and procedures	
Performance Management	Operational Asset Management	M	Corporate Performance Management Arrangements	M	Multi Agency Safeguarding Hub		Corporate Performance Management Arrangements	S	A review of compliance with the new performance management framework, and verification of performance data	
	Community and Family Wellbeing - Governance Arrangements	L	Community and Family Wellbeing - Governance Arrangements		Community and Family Wellbeing		Adult Services Performance Management		Review of data quality	
					Capital Programme Funding and Monitoring Benefits Realisation	S L				
					Safeguarding and Quality Assurance Unit					
Partnership /Integrated Working	External Funding - Support to Partners VCS	M	Corporate Partnership Arrangements	L	Follow Up of 2014/15 audit		Partnerships	S	A review of the level of compliance with the new Partnerships Code of Practice	
			Multi Agency Safeguarding Hub				North East Local Enterprise Payment of Loans and Grants (including repayment of loans)	S		
			Sunderland Partnership							
Procurement	Derwent Hill	M	Commissioning	L	Commissioning	L	Agency Workers - Off contract spend	L	A review of the reasons and arrangements for recruiting agency workers without using the contracted supplier	
	Out of Area Placements	L	Contract Management	M	Revenue Procurement	M				

Key Risk Area	2013/14 Audits / Opinions		2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		Scope of 2016/17 Audit	Overall Opinion
	Revenue Procurement	S	Capital Procurement	S						
	34 Schools, 5 full, 25 substantial, 3 moderate, 1 limited	S	30 Schools, 24 substantial, 5 moderate, 1 limited	S	15 schools, 13 substantial, 2 moderate	S	31 schools, 28 schools completed to date, 23 substantial, 5 moderate	S		
Relationship/Contract Monitoring	Streetlighting PFI Contract Management	M	Commissioning	L	Commissioning	L	Leisure Services Management	S	Review of the management and monitoring arrangements for the delivery of the leisure contract	
	Events Company Contract Management	M			Contract Management - Sunderland Care and Support	M	LABV Client Arrangements		A review of the implementation of the Siglion client arrangements	
					LABV	L	Highways Contract Monitoring		A review of the arrangements for monitoring highways construction projects	
					Capital Programme Funding and Monitoring Benefits Realisation	S L				
Legality					Constitution	M	Employment Clearances	L	A review of the arrangements for the ensuring that relevant staff have clearances from the Disclosure and Barring Service, and that social workers' practising certificates are kept up to date	
Risk Management			Port Governance Arrangements	M						
Performance Reporting							Corporate Performance Management Arrangements	S	A review of compliance with the new performance management framework, and verification of performance data	
							Adult Services Performance Management		Review of data quality	
Strategic Financial Planning/MFTS					Corporate Service Planning Arrangements	S				

Key Risk Area	2013/14 Audits / Opinions		2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		Scope of 2016/17 Audit	Overall Opinion
Financial Reporting	Asset Register/Capital Accounting	S	Accounting/General Ledger	S	Accounting/General Ledger	S	Better Care Fund			
	Derwent Hill	M	30 Schools, 24 substantial, 5 moderate, 1 limited	S	15 schools, 13 substantial, 2 moderate	S	Transformational Change Programme		A review of the programme delivery arrangements including the arrangements for consultation with service users	
	34 Schools, 5 full, 25 substantial, 3 moderate, 1 limited	S					31 schools, 28 schools completed to date, 23 substantial, 5 moderate	S		
Financial Management	EFA/SFA Funding	S	EFA/SFA Funding	S	EFA/SFA Funding	S	Leaving Care Grants	L	A review of the controls in place to manage monies due to young people leaving care	
	Local Transport Capital and Integrated Transport Grants	S	Local Transport Capital and Integrated Transport Grants	S	Local Transport Capital and Integrated Transport Grants	S	Bereavement Services	M	Review of the proposed changes to service systems and procedures	
	Troubled Families Performance Reward Funding	L	Troubled Families Performance Reward Funding	M	Troubled Families Performance Reward Funding	S	North East Local Enterprise Partnership Payment of Loans and Grants (including repayment of loans)	S		
	DECC Fuel Poverty Grant	M	Contaminated Land Grant	S	Personal Budgets	L	Agency Workers - Off contract spend	L	A review of the reasons and arrangements for recruiting agency workers without using the contracted supplier	
	Growing Places Funds 2, 3 and 7	S	Benefit Cap Advisors Grant	S	Financial Verification of Leavers from the Direct Payments Scheme	S	EFA/SFA Funding	S	Grant Certification	
	Clusters of Empty Homes Grant	S	Adoption Reform Grant	S	Commissioning	L	Local Transport Capital and Integrated Transport Grants	S	Grant Certification	
	Out of Area Placements	L	Commissioning	L	Personnel Administration Arrangements		Troubled Families Performance Reward Funding	S	Grant Certification	
	Foster Care Allowances	M	Port Governance Arrangements	M	LABV	S	City Deal (which replaces Big Coastal Communities Grant for which there is no audit requirement)	S	Grant Certification	

Key Risk Area	2013/14 Audits / Opinions		2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		Scope of 2016/17 Audit	Overall Opinion
	Charging for Non Residential Adults Care Services	S	LEP Accountable Body Arrangements	S	Accounting/General Ledger	S	Disabled Facilities and Social Care Capital Grants (replaces Sunderland a City by the Sea grants for which there is no audit requirement)	S	Grant Certification	
	Direct Payments	L	Personal Budgets	M	BACS Processing	S	Sport for Life Grant		Grant Certification	
	SAP Organisation Structures	S	Accounting/General Ledger	S	Accounts Payable	M	SSTC2	S	Grant Certification	
	SAP HCM Monitoring of Multiple Employee	L	SAP Organisation Structures		Benefits Administration	S	Adult Social Care Contributions		Audit of the Benefits Assessment Team's calculation of clients' contributions	
	BACS Processing	S	Mobile Phones Contract	L	Payroll	M	Port Fuel System	L	A review of the systems for issuing and controlling fuel stocks	
	Payroll	M	BACS Processing	S	Autism Innovation Grant	S	Payroll	S	Audit of the controls in the payroll processing and payments systems	
	Accounts Payable	S	Payroll	M	Agency Workers (Unplanned)	N	Asset Register/Capital Accounting	S	Audit of the arrangements for accounting for the Council's capital assets	
	Aquatic Centre	S	Accounts Payable	M	Go Smarter to Work Grant	S	Accounts Payable	M	An audit of the system for making payments to creditors	
	Benefits	S	Benefits Administration	S	15 schools, 13 substantial, 2 moderate	S	Pension Arrangements	S		
	Insurance Claims Handling	S	Elections Hardware Grant	S			31 schools, 28 schools completed to date, 23 substantial, 5 moderate	S		
	Crisis Loans/Social Fund	S	30 Schools, 24 substantial, 5 moderate, 1 limited	S						
	Derwent Hill	M								
	Treasury Management	S								
	34 Schools, 5 full, 25 substantial, 3 moderate, 1 limited	S								
	Events Company Contract Management	M								
Income Collection (including CR/NNDR)	Cash Receipting	S	Cash Receipting	S	Port Income	M	Income		Audit of the Accounts Receivable and Periodic Income systems	

Key Risk Area	2013/14 Audits / Opinions		2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		Scope of 2016/17 Audit	Overall Opinion
	Council Tax	S	Council Tax Valuation	S	Cash Receipting	S	31 schools, 28 schools completed to date, 23 substantial, 5 moderate	S		
	Business Rates	S	Business Rates Valuation	S	Accounts Receivable	S				
	Accounts Receivable	S	Accounts Receivable	S	Periodic Income	S				
	Aquatic Centre	S	Periodic Income	S	Business Rates Liability	S				
	Council Tax Support Scheme	S	Recovery of Benefit Overpayments	M	Business Rates Revised Billing	S				
	Local Business Rates Scheme	S	Cash in Transit/Parking Services Income	M	Enforcement Section	S				
	Derwent Hill	M	30 Schools, 24 substantial, 5 moderate, 1 limited	S	15 schools, 13 substantial, 2 moderate	S				
	34 Schools, 5 full, 25 substantial, 3 moderate, 1 limited	S								
Capital Programme Management	Capital Programme Funding and Monitoring	S			Capital Programme Funding and Monitoring Benefits Realisation	S L				
	External Funding	S								
HR Management	SAP Organisation Structures	S	SAP Organisation Structures		SAP Organisation Structures	M	Employment Clearances	L	A review of the arrangements for the ensuring that relevant staff have clearances from the Disclosure and Barring Service, and that social workers' practising certificates are kept up to date	
	Monitoring of Multiple Employee Positions	L	Corporate Training and Development Arrangements	L	Induction Procedures	M	Ethos		A review of the proposed arrangements for spinning out HR & OD services	
	Corporate HR Management	M	30 Schools, 24 substantial, 5 moderate, 1 limited	S	Code of Conduct/Whistleblowing	M	Agency Workers - Off Contract	L	A review of the reasons and arrangements for recruiting agency workers without using the contracted supplier	
	34 Schools, 5 full, 25 substantial, 3 moderate, 1 limited	S			Personnel Administration Arrangements		Payroll	S	Audit of the controls in the payroll processing and payments systems	
	Health and Safety	M			Agency Workers (Unplanned)	N	SAP Organisation Structures	S	A review of the controls surrounding the Organisation Structure as recorded on SAP	

Key Risk Area	2013/14 Audits / Opinions		2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		Scope of 2016/17 Audit	Overall Opinion
					15 schools, 13 substantial, 2 moderate	S	Personnel Administration Arrangements	M	A review of the administrative processes relating to, for example, recruitment, starters, leavers. Honoraria etc	
							31 schools, 28 schools completed to date, 23 substantial, 5 moderate	S		
							Pension Arrangements	S		
ICT Infrastructure	ICT Asset Management	M	Physical and Environmental Controls	S			ICT Technology Allocation Process	M	Implementation of new policy on allocation of ICT equipment, mobile phones etc	
			Mobile Phones Contract	L						
Cyber Security					Cyber Security	L				
Information Governance/Security	Corporate Information Governance Arrangements	L	Corporate Information Governance Arrangements	L	Corporate Information Governance Arrangements	L	Corporate Information Governance Arrangements	L	Reviews of data security	
			Multi Agency Safeguarding Hub		Multi Agency Safeguarding Hub		Use of Email	M	Use of email	
					Use of Email	M				
Business Continuity Management	HHAS Business Continuity Planning	M	Corporate Business Continuity Planning	M	Emergency Planning	S	Business Continuity Planning		An audit of the BCP arrangements in People Services	
Programme/Project Management	Implementation of the Economic Master Plan	M	Programme and Project Management	S	Corporate Service Planning Arrangements	S	Transformational Change Programme		A review of the programme delivery arrangements including the arrangements for consultation with service users	
			Realisation of Benefits & Savings	M	Capital Programme Funding and Monitoring Benefits Realisation	S L				
Asset Management	Derwent Hill	M			LABV	L	LABV Client Arrangements		A review of the implementation of the Siglion client arrangements	
	Technology Forge	L			Corporate Asset Management	M	Asset Register/Capital Accounting	S	Audit of the arrangements for accounting for the Council's capital assets	

Key Risk Area	2013/14 Audits / Opinions		2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		Scope of 2016/17 Audit	Overall Opinion
	Operational Asset Management	M					ICT Technology Allocation Process	M	Implementation of new policy on allocation of ICT equipment, mobile phones etc	
	ICT Asset Management	M								
	Building Maintenance	L								
	Asset Register/Capital Accounting	S								
Anti Fraud and Corruption	Counter Fraud Testing		Counter Fraud Testing	M	Financial Verification of Leavers from the Direct Payments Scheme	S	Port Fuel System	L	A review of the systems for issuing and controlling fuel stocks	
	National Fraud Initiative Case Investigations		National Fraud Initiative Case Investigations	S	BACS Processing	S				
	Direct Payments	L	Schools Counter Fraud Checks	S	Cash Receipting	S				
	BACS Processing	S	Personal Budgets	M	Accounts Payable	M				
	Cash Receipting	S	BACS Processing	S	Accounts Receivable	S				
	Payroll	M	Cash Receipting	S	Periodic Income	S				
	Council Tax	S	Payroll	M	Benefits Administration	S				
	Business Rates	S	Council Tax - Valuation	S	Business Rates - Liability	S				
	Benefits	S	Capital Procurement	S	Enforcement Section	M				
	Accounts Payable	S	Benefits Administration	S	Payroll	M				
	Accounts Receivable	S	Accounts Payable	M	Revenue Procurement	M				
			Accounts Receivable	S	Agency Workers (Unplanned)	N				

Key Risk Area	2013/14 Audits / Opinions		2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		Scope of 2016/17 Audit	Overall Opinion
			Periodic Income	S						
			SAP Organisation Structures							
			Cash in Transit/Parking Services Income	M						

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2016/17

Efficiency and Effectiveness			
Objectives	KPI's	Targets	Actual Performance
1) To ensure the service provided is effective and efficient.	1) Complete sufficient audit work to provide an opinion on the key risk areas identified for the Council 2) Percentage of draft reports issued within 15 days of the end of fieldwork 3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report) 4) Cost per £m Turnover	1) All key risk areas covered over a 3 year period 2) 90% 3) 80% 4) Lower than average within CIPFA Benchmarking Club	1) On target 2) Ahead of target -- 93% 3) Ahead of target – 89% 4) On target - £460 v £699 average
Quality			
Objectives	KPI's	Targets	Actual Performance
1) To maintain an effective system of Quality Assurance	1) Opinion of External Auditor	1) Satisfactory opinion	1) Achieved
2) To ensure actions agreed by the service are implemented	2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented	2) 100% for high and significant 90% for medium risk	2) Significant – behind target – 97% Medium – behind target 89% (excluding schools)
Client Satisfaction			
Objectives	KPI's	Targets	Actual Performance
1) To ensure that clients are satisfied with the service and consider it to be good quality	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires 3) Number of Complaints / Compliments	1) Overall average score of better than 1.5 (1=Good and 4=Poor) 2) Results classed as 'Good' 3) No target – actual numbers will be reported	1) On target – 1.0 to date 2) None undertaken 3) 5 compliments 0 complaints

AUDIT AND GOVERNANCE COMMITTEE

5 May 2017

RISK AND ASSURANCE MAP 2017/2018

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 and comment on the proposed Risk and Assurance Map (covering the Council and its wholly owned companies) and the supporting plans for the Internal Audit and Risk and Assurance teams for 2017/2018.
- 1.2 For completeness, the report covers Internal Audit's key performance measures. The report does not set out the work undertaken for the Tyne and Wear Fire and Rescue Service and Academy Schools which the Council provides services to.

2. Background

- 2.1 In December the Audit and Governance Committee was asked for its comments in relation to a range of potential areas of work to support the Risk and Assurance Map for the coming year. The comments made have been considered when developing the Map and the supporting plans of work for Internal Audit and the Risk and Assurance Team.
- 2.2 This report presents the Risk and Assurance Map for 2017/18 and sets out where assurance will be obtained from, including the plans of work for Internal Audit and the Risk and Assurance team. Quarterly update reports will continue to be provided to Members throughout the coming year.

3. Recommendation

- 3.1 The Audit and Governance Committee is invited to consider and, if appropriate, make comment on the proposed Risk Assurance Map and the plans of work for the Internal Audit and Risk and Assurance teams.

Risk and Assurance Map 2017/18

1. Introduction

- 1.1 In order for the Council to ensure that it has robust arrangements for delivering its priorities, managing its affairs and completing its Annual Governance Statement with some certainty, it must have in place three key elements: good Governance, Risk Management and Assurance. The Council's Integrated Assurance Framework provides a comprehensive view on the arrangements in place within the Council.
- 1.2 The Framework brings together assurance from service management, specialist functions which have a corporate role within the Council, the Risk and Assurance Team, Internal Audit and External Bodies.
- 1.3 This report also sets out the performance measures for Internal Audit at Appendix 1.

2. Risk and Assurance Map

- 2.1 The proposed Risk and Assurance Map for 2017/18 is shown at Appendix 2. This highlights those areas for which assurance will be provided, where the assurance is expected to be obtained from and the current assurance level based on work undertaken previously.
- 2.2 As previously, the Map is split into three parts, Strategic Risk Areas which align with the Corporate Plan priorities, Corporate Risk Areas which represent the risk areas that need to be managed for the Council to maintain a strong system of internal control, and companies owned by the Council.
- 2.3 Where assurance is expected to be provided from a particular source this is marked with an X. As in previous years the level of assurance provided will be updated based on the results of the work undertaken during the year and the assurance gathered from the various sources.
- 2.4 The current assurance position in relation to the corporate risk areas is either Amber or Green in all cases apart from Cyber Security. As described in a previous report on this agenda, this is due to an audit carried out in 2015. The ICT Unit has developed the Council's arrangements in this area recently and further audit work is planned for 2017/18 to assess the current position. A Review will also be undertaken of the Council's disaster recovery/business continuity arrangements following the significant amount of work undertaken to recover the systems following the ICT outage in September 2016.
- 2.5 The Map has been prepared based on the work undertaken and reported previously and the planned activity has been developed in consultation with the Chief Executive, all Executive and Corporate Directors and key offers across the Council.
- 2.6 The work to be undertaken by Internal Audit and the Risk and Assurance team in support of the Map is shown at Appendix 3. The appendix shows all

of the work that contributes to providing assurance against each risk area (some work provides assurance to more than one risk area).

- 2.7 This work to be undertaken by the Risk and Assurance Team is a high level plan as much of the work of the team cannot be planned in detail. The team will be involved in providing support, challenge and assurance to all of the major projects ongoing, especially those considering alternative service delivery models, transformation and other key projects which contribute to the Council's achieving its strategic priorities and achieving its efficiency savings.

3. Key Areas of Activity

- 3.1 As in previous years the level of change ongoing within the Council continues to be significant. The Risk and Assurance Team will continue to provide support and assurance in relation to key projects where there are major changes to services and where alternative models of delivery are being planned.
- 3.2 A significant amount of work is on-going within the Council in relation to economic development in the form of infrastructure projects, improving skills and creating jobs for the people of Sunderland. Support will continue to be provided to this work during the planning and implementation phases.
- 3.3 Internal audit work will review how the Council is managing its workforce planning arrangements, given the significant reduction in staff numbers. This will include the implementation of the Apprenticeship levy. Audit work will also include a review of how well the Council commissions its services and will provide support to the development of contract management arrangements across the Council. Both of these areas are key as the Council provides less services directly and procures them from external organisations.
- 3.4 The cycle of audits of key systems and counter fraud work will continue based on the Corporate Risk Profile and an assessment of fraud risks.
- 3.5 The work of the Risk and Assurance team includes obtaining assurance on the progress in relation to the actions identified to manage risks in the Strategic Risk profile. Key areas of work for the team are as follows:
- Economic regeneration such as the International Advanced Manufacturing Park, Enterprise Zone, the New Wear Crossing and the SSTC phase 3
 - Adult Social Care
 - Key events such as the Tall Ships

4. Reporting Protocols

- 4.1 A quarterly progress report will be presented to the Committee. The update reports will indicate the level of assurance provided and any major findings arising from the work undertaken. Any areas requiring improvement will be highlighted to Members for them to consider, and highlighted to the relevant Executive Director.
- 4.2 An Annual Report (including the year end Risk and Assurance Map) will be prepared for the Executive Management Team and Audit and Governance Committee in order to provide assurance or otherwise, and enable the Annual Governance Statement to be completed.

Appendix 1

Internal Audit and Counter Fraud Unit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2017/18		
Efficiency and Effectiveness		
Objectives	KPI's	Targets
1) To ensure the service provided is effective and efficient.	1) Complete sufficient audit work to provide an opinion on the corporate risk areas 2) Percentage of draft reports issued within 15 days of the end of fieldwork 3) Percentage of audits completed by the target date 4) Cost per £m Turnover	1) All corporate risk areas covered over a 3 year period 2) 90% 3) 82% 4) Lower than average within CIPFA Benchmarking Club
Quality		
Objectives	KPI's	Targets
1) To maintain an effective system of Quality Assurance 2) To ensure recommendations made by the service are agreed and implemented	1) Opinion of External Auditor 2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented	1) Satisfactory opinion 2) 100% for high and significant. 90% for medium risk
Client Satisfaction		
Objectives	KPI's	Targets
1) To ensure that clients are satisfied with the service and consider it to be good quality	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires 3) Number of Complaints / Compliments	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor) 2) Results classed as 'Good' 3) No target – actual numbers will be reported

Risk and Assurance Map

Strategic and Corporate Risk Areas		
	Current Risk Score	Cumulative Assurance Position
Strategic Risk Areas		
Growing the Economy		
Improving Education and Skills		
Improving Health and Wellbeing		
Supporting Vulnerable Children and Families		
Supporting Vulnerable Adults and Carers		
Building Resilient Citizens and Communities		
Corporate Risk Areas		
Commissioning		
Strategic Planning		
Service/Business Planning		
Service Delivery Arrangements		
Performance Management		
Partnership/Integrated Working		
Procurement		
Relationship/Contract Management		
Legality		
Risk Management		
Performance Reporting		
Strategic Financial Management		
Financial Reporting		
Financial Management		
Income Collection		
Capital Programme Management		
HR Management		
ICT Infrastructure		
Cyber Security		
Information Governance/Security		
Business Continuity Management		
Programme and Project Management		
Asset Management		
Anti-Fraud and Corruption		
Council Owned Companies		
Sunderland Care and Support		

2017/18										
1st Line	2nd Line								3rd Line	
Management Assurance	Other Internal Assurance Activity								Internal Audit	External Assurance
	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	HR &OD	Business Continuity	Risk and Assurance		
X		X	X	X				X		
X			X	X				X		
X			X	X				X		
X		X	X	X				X	X	
X		X	X	X				X		
X				X				X	X	
X									X	
X				X					X	
X				X					X	
X				X					X	
X									X	
X									X	
X									X	
X									X	
				X					X	
		X							X	X
		X							X	
X		X						X	X	X
		X						X	X	X
		X						X	X	
X						X		X	X	
X					X			X	X	
									X	
									X	
X		X								

Key: X=activity planned, White=no coverage, Green=full / substantial assurance, Amber=moderate assurance, Red=limited / no assurance

Detailed Coverage 2017/18– Internal Audit and Risk & Assurance

Strategic Risk Area	Internal Audit Work	Risk and Assurance Work
Growing the Economy		Risk and assurance support to economic regeneration projects such as the development of the International Advanced Manufacturing Park, New Wear Crossing, and SSTC phase 3 Risk and assurance support to key events such as the Tall Ships and Airshow
Improving Education and Skills	Relationship and contract management arrangements between the Council and Together for Children Sunderland Ltd (15 days)	Review of the implementation of the Education and Skills strategy in support of the International Advanced Manufacturing Park
Improving Health and Well Being		Risk and assurance support to the development of service delivery arrangements for Adult Social Care between the Council and the NHS
Supporting Vulnerable Children and Families	Relationship and contract management arrangements between the Council and Together for Children Sunderland Ltd (15 days)	Quarterly review of risk within Strategic Risk Profile
Supporting Vulnerable Adults and Carers		Risk and assurance support to the business development of Sunderland Care and Support Ltd.
Building Resilient Citizens and Communities	Process for assessing and managing the use of personal budgets (15 days)	Quarterly review of risk within Strategic Risk Profile

Corporate Risk Area	Internal Audit Work	Risk and Assurance Work
Commissioning	Commissioning cycle for services outside of the transformation programme, including the use of intelligence, procurement and contract management activity (25 days)	
Strategic Planning	Compliance with the new Corporate Planning and Performance Management Framework – focus on corporate / service planning (10 days)	
Service/Business Planning	Compliance with the new Corporate Planning and Performance Management Framework – focus on corporate / service planning (10 days)	
Service Delivery Arrangements	Compliance with the new Corporate Planning and Performance Management Framework – focus on performance management (10 days)	
Performance Management	Compliance with the new Corporate Planning and Performance Management Framework – focus on performance management (10 days)	
Partnership/Integrated Working	Compliance with the new corporate partnership arrangements (10 days)	

Corporate Risk Area	Internal Audit Work	Risk and Assurance Work
Procurement	<p>Commissioning cycle for services outside of the transformation programme, including the use of intelligence, procurement and contract management activity (25 days)</p> <p>Testing of revenue procurement transactions(15 days)</p> <p>Controls in place for processing Homecare Payments (15 days)</p> <p>Implementation of Pre-payment cards (Direct Payments) (15 days)</p>	<p>Risk and assurance support to economic regeneration projects such as the development of the International Advanced Manufacturing Park, New Wear Crossing, and SSTC phase 3</p> <p>Financial assessments of bidders – as part of the procurement process</p>
Relationship/Contract Management	<p>Commissioning cycle for services outside of the transformation programme, including the use of intelligence, procurement and contract management activity (25 days)</p> <p>Contract Management - Public Health School Nursing Service (12 days)</p> <p>Relationship and contract management arrangements between the Council and Together for Children Sunderland Ltd (15 days)</p>	Support for the further development of Corporate Contract Management arrangements
Legality		Risk and assurance support to economic regeneration projects such as the development of the International Advanced Manufacturing Park, New Wear Crossing, and SSTC phase 3
Risk Management		Risk management support to senior managers as required throughout the year on service delivery and project management issues
Performance Reporting	Compliance with the new Corporate Planning and Performance Management Framework – focus on performance management (10 days)	
Strategic Financial Management	Provision for significant financial liabilities (12 days)	
Financial Reporting	Process for budget setting and management (15 days)	
Financial Management	<p>Process for budget setting and management (15 days)</p> <p>Payroll - compliance - loss of protection (20 days)</p> <p>Review of BACS procedures (4 days)</p> <p>Housing Benefit Assessment (15 days)</p> <p>Grants (27 days)</p> <ul style="list-style-type: none"> • Sport for Life grant • EFA Funding • Local Transport Capital Settlement - Capital Maintenance • Local Transport Capital Settlement - Integrated Transport • Nexus (Combined Authority) • Pothole Action Fund 	Risk and assurance support to economic regeneration projects such as the development of the International Advanced Manufacturing Park, New Wear Crossing, and SSTC phase 3

Corporate Risk Area	Internal Audit Work	Risk and Assurance Work
	<ul style="list-style-type: none"> City Centre Cycle Permeability Scheme 27 School audits	
Income Collection	Cash Receipting procedures for the collection of Council Tax, Business Rates, Accounts Receivable and Periodic Income (15 days) Business Rates Recovery arrangements (12 days) Council Tax Recovery arrangements (10 days) Accounts Receivable Recovery arrangements (5 days)	
Capital Programme Management		Risk and assurance support to economic regeneration projects such as the development of the International Advanced Manufacturing Park, New Wear Crossing, SSTC phase 3
HR Management	Workforce planning arrangements, including the introduction of the Apprenticeship Levy and new taxation arrangements for agency/interim workers (20 days) Corporate Health and Safety arrangements (12 days)	
ICT Infrastructure	ICT Strategy and Infrastructure Planning (15 days) Review of the updated arrangements for ICT disaster recovery/business continuity (15 days)	Risk and Assurance support for new ICT developments
Cyber Security	Arrangements to protect the Council from cyber threats (15 days)	
Information Governance/Security	Preparation for the introduction of the General Data protection Regulations (15 days) Building access security – remote sites (5 days)	Risk and Assurance support to the Information Governance Assurance Framework
Business Continuity Management	Corporate Business Continuity arrangements (15 days)	Review of the updated arrangements for ICT disaster recovery/business continuity
Programme and Project Management	Compliance with new SAP Procedures (15 days)	Risk and assurance support for the update of procedures on SAP Risk and Assurance support for the implementation of the Liquid logic system
Asset Management	Strategy for use and maintenance of corporate assets (15days)	
Anti-Fraud and Corruption	Transactions testing based on fraud risk assessment, including matches from the National Fraud Initiative	

Council Owned Companies	Internal Audit Work	Risk and Assurance Work
Sunderland Care and Support Ltd.	Unit Costing methodology and application (12 days) Procurement/transaction testing (10 days) Governance/Audit Committee arrangements (5 days) Establishment visits/Supported Living compliance with new financial procedures (48 days)	
Together for Children Sunderland Ltd.	Development of a strategic audit plan for the Company Initial Audits for 2017/18: <ul style="list-style-type: none"> • Governance Arrangements • Effectiveness of SLA relationships • Financial Procedures - bank account/income • Information Governance/GDPR • Implementation of Liquid Logic 	N/A – undertake own risk work

AUDIT AND GOVERNANCE COMMITTEE

5 May 2017

Proposed Forward Plan of Reports for 2017/18

Report of the Executive Director of Corporate Services

1. Purpose of Report

- 1.1 To enable the Committee to consider and comment on the proposed Forward Plan of reports for 2017/18.
- 1.2 During the year there will be 4 quarterly meetings – at which the Committee will consider the Risk and Assurance Map alongside other reports. An additional meeting is scheduled for February in order to consider the Treasury Management Policy and Strategy for the following financial year so that it can be agreed by Cabinet in February and then by Council in March of each year in line with the regulations and best practice.

2. Recommendations

- 2.1 Members are asked to consider and agree to the attached proposed Forward Plan of reports.

**Forward Plan of Reports
Audit and Governance Committee 2017/18**

Month	Brief Description	Report of
21 st July 2017	Annual Review of Governance Arrangements / Annual Governance Statement 2016/17 (including Annual Report covering work of Internal Audit and Risk and Assurance teams)	Executive Director of Corporate Services
	Risk and Assurance Map – Update 2017/18	Head of Assurance, Procurement and Performance Management
	Annual Report on the Work of the Committee	Executive Director of Corporate Services
	Audited Statement of Accounts 2016/17	Executive Director of Corporate Services
	Treasury Management Annual Review 2016/17	Executive Director of Corporate Services
	Treasury Management 2017/18 - First Quarterly Review	Executive Director of Corporate Services
	Audit Completion Report 2016/17	External Auditor
29 th September 2017	Risk and Assurance Map – Update 2017/18	Head of Assurance, Procurement and Performance Management
	Treasury Management 2017/18 – Second Quarterly Review	Executive Director of Corporate Services
	Annual Audit Letter 2016/17	External Auditor
	Audit Progress Report	External Auditor
15 th December 2017	Treasury Management 2017/18 – Third Quarterly Review	Executive Director of Corporate Services
	Risk and Assurance Map – Update 2017/18	Head of Assurance, Procurement and Performance Management
	Corporate Assurance Map Consultation 2017/18	Head of Assurance, Procurement and Performance Management
	Audit Progress Report	External Auditor
2 nd February 2018	Treasury Management Strategy and Policy for 2017/18 including Treasury Management Prudential Indicators for 2018/2019 to 2020/2021	Executive Director of Corporate Services
	Audit Progress Report	External Auditor
23 rd March 2018	Risk and Assurance Map – Update 2017/18	Head of Assurance, Procurement and Performance Management
	Risk and Assurance Map – 2018/19 (including Internal Audit Plan, and Risk and Assurance team plan)	Head of Assurance, Procurement and Performance Management

**Forward Plan of Reports
Audit and Governance Committee 2017/18**

Month	Brief Description	Report of
	Proposed Forward Plan of Reports 2018/19	Executive Director of Corporate Services
	Member Training and Development	Executive Director of Corporate Services
	Audit Strategy Memorandum 2017/18	External Auditor
	Audit Progress Report	External Auditor

Note: Other ad-hoc reports/items shall be added to the Agenda where considered necessary

AUDIT AND GOVERNANCE COMMITTEE

5 May 2017

MEMBER TRAINING AND DEVELOPMENT

Report of the Executive Director of Corporate Services

1. Purpose of Report

- 1.1 The purpose of this report is to provide members of the Committee with the opportunity to identify areas for which they require any further training / refresher / awareness sessions to be arranged.

2. Training / Development Requirements

- 2.1 The agreed forward plan of reports that are to be presented to the Committee throughout the year is included on the agenda for this meeting. This may provide members with a reference for any areas for which they would like to receive further training / awareness sessions. Due to the significant changes that are currently ongoing and being considered across the Council it is proposed that an update be provided at the beginning of the next committee meeting.
- 2.2 Members will be aware that the timetable for the preparation and audit of the 2016/17 statement of accounts is being brought forward. The unaudited statement of accounts and the results of the annual governance review will be forwarded to members by the 31st May 2017. The first meeting of the Committee will be 21st July 2017 where the audited statement of accounts will be presented. It is therefore proposed that a briefing session be arranged for members prior to them receiving the statement of accounts so that they can be made aware of presentational changes and any key issues.

3. Recommendations

- 3.1 Members are asked to consider the areas for which they would like to receive training or awareness sessions, and:
- Agree to receive an update on significant changes taking place or being proposed at the next Committee meeting.
 - Agree to receive a briefing in advance of receiving the 2016/17 statement of accounts.
 - Suggest any further areas for training / awareness sessions required.

AUDIT AND GOVERNANCE COMMITTEE

5 May 2017

PUBLIC SECTOR AUDITOR APPOINTMENTS

Report of the Executive Director of Corporate Services

1. Purpose of Report

- 1.1. In September 2016, the Committee agreed that the Executive Director of Corporate Services, in consultation with the Chair of the Committee, would make a recommendation to Council regarding the preferred option for the appointment of the Council's external auditor. This report provides an update on the position for member's information.

2. Background and Next Steps

- 2.1. Members may recall that the contract with the Council's current external auditors, Mazars, is due to come to an end on 31 March 2018. The Council therefore has to arrange for external auditors to be appointed thereafter.
- 2.2. The report in September 2016 set out the various options that can be followed for the appointment and suggested that the preferred option would be to opt into an arrangement being put in place by Public Sector Appointments Ltd (PSAA) who would procure and appoint external auditors for all local authorities that joined this arrangement. The available options were reported to Council in January 2017 and the decision was made to join the PSAA arrangement. This was subsequently confirmed to PSAA and the Council is now awaiting the results of the procurement and appointment process.
- 2.3. Once the appointment is made a further report will be brought back to the Committee.

3. Recommendations

- 3.1. Members are asked to note the updated position.

Audit Strategy Memorandum

Sunderland City Council



For the year ending 31 March 2017



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Our reports are prepared in the context of the Public Sector Audit Appointment Limited's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Executive summary

Purpose of this report

The Audit Strategy Memorandum sets out our audit plan in respect of the audit of Sunderland City Council ('the Council') for the year ending 31 March 2017, and forms the basis for discussion at the Audit and Governance Committee meeting on 31 March 2017.

The plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of those charged with governance are defined as overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process. We have determined that the Audit and Governance Committee is those charged with governance for the purpose of our audit.

Timing of our work	Our audit will be delivered in four main phases as outlined in page 10 of this report. We are planning to complete the audit by 31 July 2017, ahead of the statutory deadlines being formally brought forward from next year. The statutory deadline for the completion of our audit work in 2016/17 is 30 September 2017.
Financial Statements audit	Significant risks We have identified the following areas on which we will carry out specific audit procedures to mitigate the risks of material misstatements in the Council's financial statements: <ul style="list-style-type: none">• management override of controls; and• valuation of the defined benefit pension scheme.
	Materiality At the planning stage of the audit we have set materiality for the financial statements as a whole at £7.5m. In reporting the results of our work we do not report identified misstatements below a clearly trivial level. We have set this level at £225k.
	Group accounts The Council prepares group accounts, which consolidate the Council's accounts, those of its two local authority trading companies, Sunderland Care and Support Ltd and Sunderland Live Ltd, and its share of two joint ventures, Siglion LLP and Sunderland Lifestyle Partnership Ltd. None of these entities are significant components, and we have not identified any significant risks in relation to the components. Group materiality has been set at £7.57m at the planning stage, and the clearly trivial level is £227k.

**Value for Money
conclusion**

The work we carry out to form a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources is summarised on pages 12 and 13. We have identified two significant risks in respect of our VFM work:

- responding to financial pressures; and
- OFSTED's assessment of children's safeguarding services.

Independence

We have considered any actual, potential or perceived threats to our independence on page 17. We have not identified any such threats at this stage of the audit.

Audit scope and approach

The scope of our work

The detailed scope of our work as your appointed auditor for 2016/17 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ('the 2014 Act') and are summarised below.

Opinion on the financial statements

We are responsible for forming and expressing an opinion on the financial statements. Our audit is planned and performed to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Our audit does not relieve management or the Audit and Governance Committee, as those charged with governance, of their responsibilities.

Value for Money conclusion

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our Value for Money work in greater detail later in this report.

Whole of Government Accounts (WGA)

We report to the NAO on the consistency of the Council's financial statements with its WGA submission.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts by an elector. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our response to the risk of fraud

International Standards on Auditing (ISAs) require us to obtain reasonable assurance that the financial statements are free from material fraud and/or error. There are a range of ways in which fraud may arise in the context of your financial statements and we formally consider the risk of fraud as part of our planning work and design appropriate procedures to mitigate risks identified. We maintain an appropriate level of professional scepticism throughout the audit and are mindful that a material misstatement due to fraud is possible, however, our audit should not be relied upon to identify all such misstatements.

Management and the Audit and Governance Committee, as those charged with governance, also have responsibilities in respect of fraud. They are responsible for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with laws and regulations.

Our enquiries will focus on:

- what role the Audit and Governance Committee has in relation to fraud and how it is kept informed of fraud related matters by management;
- what anti-fraud measures you have in place and how your policies and procedures are monitored; and
- whether you are aware of any actual, alleged or suspected fraud.

We will formally write to you, in your role as those charged with governance, making the enquiries above, during the audit.

Our use of experts and other auditors

Management and auditor experts

There are material entries in your financial statements which are provided by management experts. For some of these entries, we will use our own expert to provide us with the assurance we require in relation to the work of your expert.

Appendix A summarises management's experts and our planned audit approach to obtaining assurance over their work.

Other auditors

In previous years, we have sought to rely on assurances provided by the auditor of the Tyne & Wear Pension Fund (EY) in relation to the Council's pension disclosures. Going forward we will be seeking to reduce or eliminate the need for such assurances, by performing additional procedures as part of our audit. However, we have identified that this year we will need to seek some assurances in relation to the data used in the recent triennial revaluation of the fund.

Internal audit

Where appropriate, we will seek to rely on work performed by internal audit where it provides us with the required assurance. We will meet with internal audit to discuss their work programme and findings, and factor this in when determining the most efficient testing strategy.

Where we intend to rely on the work of internal audit, we will evaluate their work and perform our own audit procedures to determine its adequacy for our audit.

Group accounts

The Council prepares group accounts, which consolidate the Council's accounts with those of its subsidiaries and joint ventures:

- Sunderland Care and Support Ltd (line by line consolidation);
- Sunderland Live Ltd (wholly owned and a line by line consolidation);
- Siglion LLP (a joint venture, consolidated on an equity basis using the Council's share of equity at 50%); and
- Sunderland Lifestyle Partnership Ltd (also a joint venture, consolidated on an equity basis using the Council's share of equity at 50%).

None of these entities are significant components, and we have not identified any additional significant risks for group accounts purposes in relation to the components.

We have planned our 2016/17 group accounts audit to include:

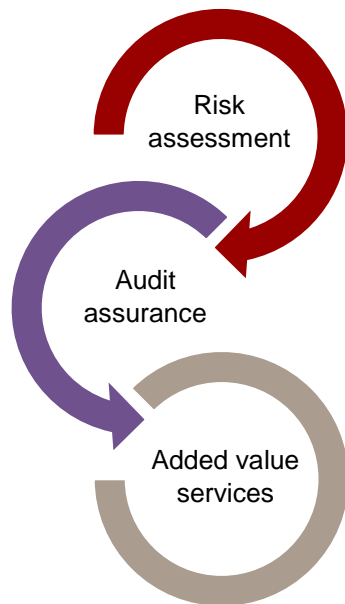
- liaising with the auditors of the other entities, where appropriate, to obtain any necessary information, including evidence of suitable qualifications and ethical considerations by the auditor, and copies of any draft or audited financial statements that are available, and taking into account any issues and risks that have been identified by these component auditors;
- undertaking reasonableness checks on the information to be included in the statements in relation to the entities. We will also assess the controls that management have put in place over the information to be included in the group accounts and assess the potential impact on our audit work;
- updating our understanding of how the Council prepares its group statements and manages the consolidation process; and
- the audit of the group accounts, ensuring appropriate consolidation adjustments and disclosures of the information provided by the other entities.

For members' information, Mazars LLP is the external auditor of Sunderland Care and Support Ltd, and provides accounts preparation and tax services to this subsidiary of the Council.

Group materiality has been set at £7.57m at the planning stage, and the clearly trivial level is £227k.

Audit efficiency and our use of IT

Innovative and integrated use of IT drives the efficiency and effectiveness of our audit. Your audit team uses the latest IT-based audit solutions and is supported by a team of IT auditors each of who have extensive knowledge of the public sector and providing assurance and advisory services across the public sector.



We know that all organisations are different and face different risks. Our audit platform is modern and flexible and allows us to tailor our audit approach to the specific risks relevant to the Council, while ensuring compliance with underlying auditing standards.

We focus on the risks to your business continuity and those that give rise to a risk of material misstatement in the financial statements. Your audit team has access to a full suite of data analytics tools which allow them to determine the most effective and efficient testing strategy using IT-audit techniques where appropriate.

Significant risks and key judgements

Identified significant risks

As part of our planning procedures we have considered whether there are risks of material misstatement in the Council's financial statements that require special audit consideration. Although we report identified significant risks at the planning stage of the audit, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to mitigate these risks. Where we identify any significant risks in addition to those set out below, we will report these to the Audit and Governance Committee as part of our Audit Completion Report.

Significant risk	How we will mitigate the risk
<p>Management override of control</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We will address this risk through performing audit work on:</p> <ul style="list-style-type: none"> • consideration and review of accounting estimates impacting on amounts included in the financial statements; • consideration and review of any unusual or significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
<p>Pension Entries</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and include estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we will:</p> <ul style="list-style-type: none"> • evaluate the management controls in place to assess the reasonableness of the figures provided by the Actuary; and • consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.

Key areas of management judgement

In addition, we have identified accounting for Property, Plant and Equipment as a key area of management judgement which we will focus on during our audit:

Key area of management judgement	Our planned audit approach
<p>Property, Plant and Equipment (PPE)</p> <p>PPE values and related accounting entries are based on valuations provided by your in-house valuer. This includes key judgements in relation to:</p> <ul style="list-style-type: none">• asset classifications;• identifying an appropriate valuation basis for each class of assets;• determining appropriate asset values;• assessments of the estimated useful lives of assets;• recognition of impairments or other significant changes in asset values; and• making the correct distinction between revenue and capital expenditure.	<p>We will review the arrangements in place for:</p> <ul style="list-style-type: none">• instructing the valuer and relying on their work;• maintaining an accurate fixed asset register;• establishing estimates of asset lives; and• identifying impairments. <p>We will also carry out tests of detail on capital transactions, balances and disclosures in the accounts.</p>

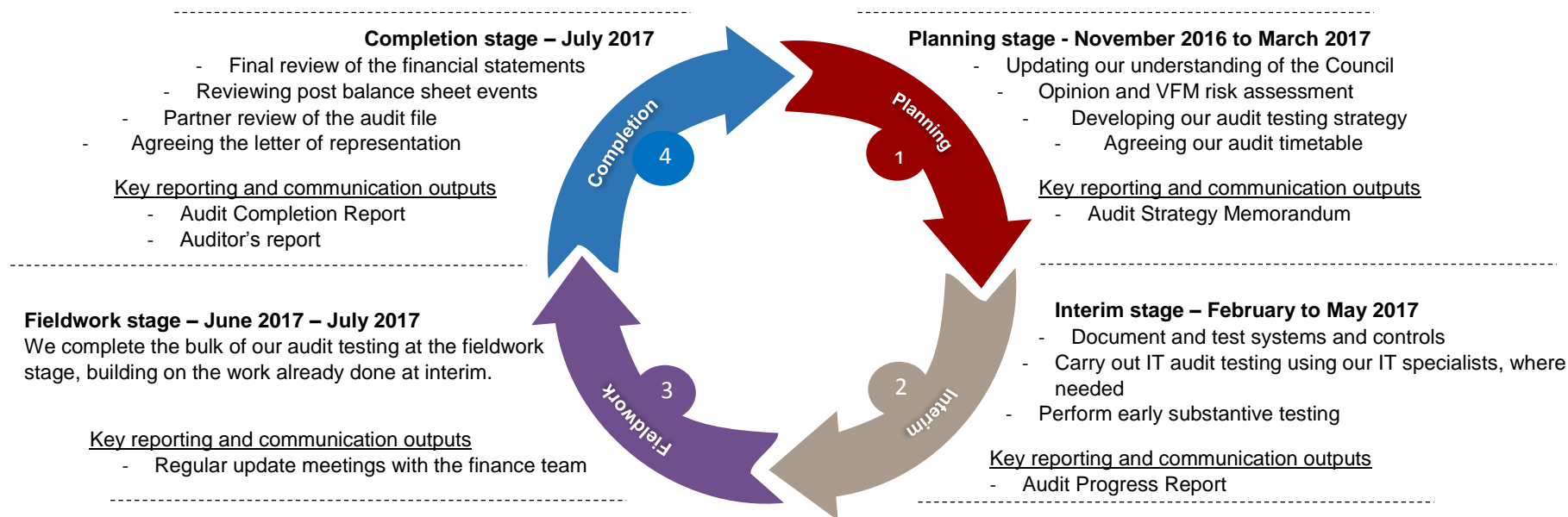
Timetable and communication

Our approach to communication

International Standards on Auditing require us to communicate a number of matters with you at various points during the audit cycle. Later in this section we outline exactly how we will communicate with the Audit and Governance Committee as those charged with governance. As well as being an integral part of our responsibilities under auditing standards, we see two-way communication with the Audit and Governance Committee and the Council's staff as being critical to building a robust knowledge of your business, the risks and challenges you face and the plans you have in place to meet those challenges.

Audit timetable

The diagram below outlines the main phases of your audit, when each will be carried out and the outputs that you will receive at each stage. This is underpinned by a 'no surprises' approach to communication that ensures management and the Audit and Governance Committee are kept aware of significant issues on a timely basis. We intend to issue our Audit Strategy Memorandum in March 2017, our Audit Completion Report in July 2017 and our Annual Audit Letter in September 2017.



Key communication points

ISA 260 'Communication with those charged with governance' and ISA 265 'Communicating deficiencies in internal control to those charged with governance and management', require us to communicate a number of matters to you. These matters are set out below.

Matter to be communicated	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Confirmation of our independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Conclusions on the significant audit risks and areas of management judgement		✓
Summary of unadjusted misstatements		✓
Management representation letter		✓
Our proposed audit report		✓

In addition to the matters outlined above which we are required to communicate under auditing standards, we also communicate regularly with the Audit and Governance Committee through our Audit Progress Reports, which are presented at each meeting. We also report to the Council on an annual basis to summarise our work and main conclusions through our Annual Audit Letter.

Value for Money Conclusion

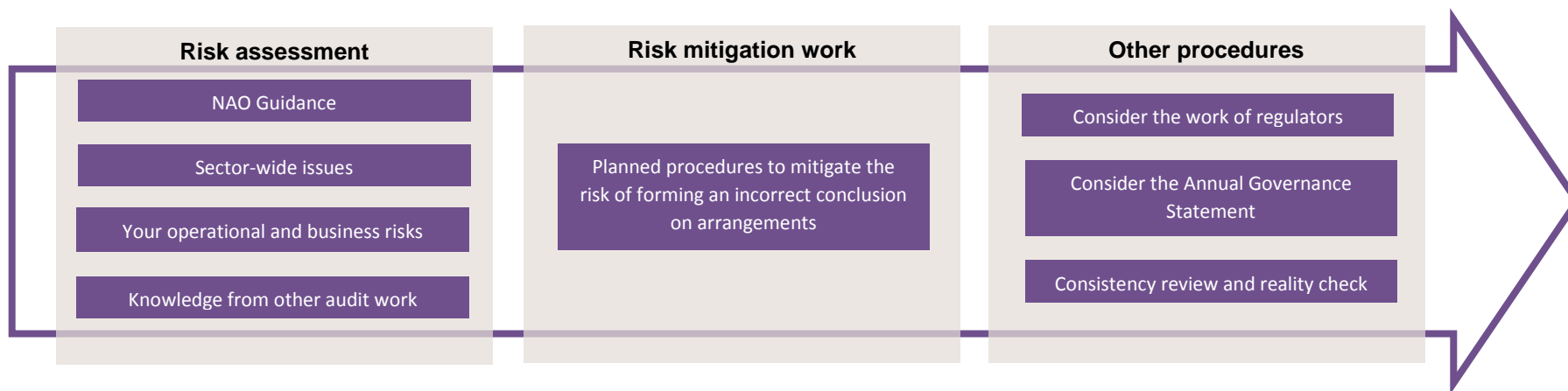
Our approach to Value for Money work

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below.



Significant Value for Money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a risk to the VFM conclusion exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For 2016/17, we have identified two significant risks for our VFM conclusion.

Value for Money conclusion risk	Work we intend to carry out
<p>Responding to financial pressures</p> <p>The Council faces financial pressures from reduced funding and continues to identify plans to deliver future savings and improvements, including transformation activity, working with partners and use of alternative models of service delivery. Without robust budgetary control and delivery of its action plans, the Council's financial resilience and service performance could deteriorate.</p>	<p>We will review budget monitoring and reporting, focusing on areas where action plans are in place to make savings and improvements, and to minimise any adverse impact on service delivery. We will also consider those areas such as social care where there are particular financial pressures. We will review the plans that are being developed to deliver future savings and improvements.</p>
<p>OFSTED's assessment of children's safeguarding services</p> <p>The Council does not make the required improvements to children's services, following OFSTED's assessment of services as 'inadequate' in July 2015, or does not make the improvements rapidly enough.</p>	<p>We will consider the progress made by the Council in relation to children's services, including the planned establishment of a children's company from 1 April 2017. We have issued an 'except for' qualification in relation to children's safeguarding service in both the 2014/15 and 2015/16 audits. Ultimately, the conclusion in this area requires an expert judgment and we will only be able to revise our assessment that an 'except for' qualification is not needed when OFSTED fully update their assessment and services are no longer assessed as inadequate. OFSTED have not yet updated their full assessment.</p>

Fees

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by Public Sector Audit Appointments Ltd (PSAA) as communicated to you in our fee letter on 11 April 2016.

Area of work	2016/17 proposed fee	2015/16 final fee
Code audit work	£135,774	£135,774
Housing Benefit Subsidy certification	£7,725	£9,309

All fees exclude recoverable VAT

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we can be separately engaged by the Council to carry out additional work. In 2015/16, we undertook £11,190 of such work as set out in the table below. To date, we have not been commissioned to carry out any work as part of the 2016/17 audit. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in Appendix B.

Area of work	2016/17 proposed fee	2015/16 final fee
Skills Funding Agency Grant Claim Work	£0	£3,550
Teachers' Pensions Return	To be agreed	£2,750
Market Analysis for Sunderland Care and Support (SCAS) Mutualisation & Research into commissioning intentions for care and support services in the North East region	£0	£4,890
Total non-audit work	£0	£11,190

All fees exclude recoverable VAT

Sunderland Care and Support Ltd

In the interests of transparency, Mazars LLP is also the auditor of Sunderland Care and Support Ltd, one of the Council's trading companies. In addition, the firm provides accounts preparation and corporation tax services to the company. The total fees relating to audit, accounts preparation and tax work are £23,889 plus VAT for the 2016/17 financial year (£23,307 plus VAT for 2015/16).

Our team



Partner name – Mark Kirkham

Email: Mark.Kirkham@Mazars.co.uk

Phone: +44 (0)113 387 8850

Bio: Mark has been a partner at Mazars since 2015 and has been an audit engagement lead since 2002. Mark has extensive experience in a number of sectors, including local government.



Manager name – Gavin Barker

Email: Gavin.Barker@Mazars.co.uk

Phone: +44 (0)191 383 6300

Bio: Gavin is a senior manager with 28 years public sector audit experience. He transferred to Mazars from the Audit Commission in 2012 and has been involved with the Sunderland City Council audit for a number of years. His other clients include Tyne & Wear Fire and Rescue Authority and Selby District Council. On a voluntary basis, Gavin is also Treasurer and trustee of a Newcastle-based charity that supports people with carer responsibilities.



Team-leader name – Ian Rutter

Email: Ian.Rutter@Mazars.co.uk

Phone: +44 (0)191 561 1919

Bio: Ian is an Assistant Manager with over 16 years of external audit experience. Ian also joined Mazars in 2012 and works with Gavin on a number of the Sunderland-based audits undertaken by the firm.

In accordance with our internal policies for audit quality and risk management, we consider the audit of the Council to be a 'major audit'. As a result, and in line with the requirements of International Standards on Quality Control (ISQC) 1, the firm has appointed an Engagement Quality Control Reviewer (EQCR). This will bring an additional level of quality control to the engagement team.

Appendix A – Use of experts

The Council uses experts to provide entries in its financial statements. The table below outlines the areas of the financial statements where we expect the Council to use experts and an explanation of the approach we will take to obtaining assurance over those entries.

Financial statement area	Management's expert	Planned audit approach
Property, Plant and Equipment	Sunderland City Council's internal valuer	We will assess the reasonableness and consistency of the valuer's report, including comparison with our own (via NAO) appointed expert - Gerald Eve.
Financial Instruments	Capita	We will evaluate the results and information provided by the expert, and consider the information provided in relation to Capita via NAO.
Disclosures relating to the Tyne & Wear Pension Fund, which is a Local Government Pension Scheme (LGPS)	Aon Hewitt (actuary)	We will evaluate the results and information provided by the actuary and compare this with our own (via NAO) appointed expert – PWC, who carry out a specific review of the actuarial assumptions used by the main actuaries appointed to local government pension schemes, including Aon Hewitt. If needed, we will consult Mazars own in-house pension specialists for further advice

Appendix B – Independence

We are required by the Financial Reporting Council to confirm to you at least annually in writing, that we comply with the Auditing Practices Board's Ethical Standards. In addition we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you, and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement, there are no relationships between us, and any of our related or subsidiary entities, and you, and your related entities, creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team who are required to rotate off a client after a set number of years; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We wish to confirm that in our professional judgement, as at the date of this document, we are independent and comply with UK regulatory and professional requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with either Mark Kirkham or Gavin Barker.

Prior to the provision of any non-audit services, Mark Kirkham will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. No threats to our independence have been identified.

Appendix C - Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit.

Whilst planning our audit, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We discuss with management any significant misstatements or anomalies that we identify during the course of the audit and we report in our Audit Completion Report all unadjusted misstatements we have identified other than those which are clearly trivial, and obtain written representation that explains why these remain unadjusted.

Appendix D – Our added value

Our primary responsibilities as the Council's external auditor are outlined in the main body of this report. As your external auditor we are ideally placed to provide added value in delivering those responsibilities and the diagram below provides a summary of how we do this.



Audit Progress Report

Sunderland City Council



March 2017



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Our reports are prepared in the context of the Public Sector Audit Appointment Limited’s ‘Statement of responsibilities of auditors and audited bodies’. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Audit progress

2016/17 audit planning

We have now completed our 2016/17 planning and the results are reflected in the Audit Strategy Memorandum included as a separate agenda item for discussion at the Audit and Governance Committee on 31 March 2017.

Our planning included:

- identifying the business risks facing the Council, including assessing your own risk management arrangements;
- considering financial performance;
- assessing internal controls, including reviewing the control environment;
- evaluating and testing the IT control environment;
- assessing the risk of material misstatement arising from the activities and controls within the information systems; and
- completing walkthrough tests on the key controls within the material financial systems.

As part of our work, we took into account the most recently published updated VFM guidance for local government bodies (in essence, no significant change). <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

We held planning meetings with senior managers to inform our planning risk assessments and to better understand the priorities and challenges the Council faces. We also discussed the previous year's audit and considered any areas for continuous improvement.

As part of our commitment to quality, team members have already attended our annual audit training conference which included technical issues in respect of the local government sector and feedback from quality reviews to take into account in the coming year. For example, the workshop covered the new format for the Comprehensive Income and Expenditure Statement to be used in 2016/17.

Bringing forward the accounts and audit timetable

We have continued to work with officers to streamline arrangements to enable us to bring forward the 2016/17 accounts and audit timetable. Officers plan to produce the draft accounts requiring certification by the end of May 2017 and we aim to complete the audit by the end of July 2017.

We have discussed any emerging technical issues early to resolve them, we have shared a streamlined list of working paper requirements, and we have carried out early substantive testing to reduce the volume of audit work that will be required in June and July 2017.

The early work and discussions with officers have been fruitful and our preparations have gone well.

Issues arising

At this stage of our audit work, we have no significant deficiencies in internal control to report to you.

National publications and other updates

National publications and other updates	
1.	Health and Social Care Integration, National Audit Office, February 2017
2.	Housing in England: overview, National Audit Office, January 2017
3.	Auditor General Guidance Note AGN/01, National Audit Office, December 2016
4.	Highways Network Asset briefing, CIPFA, January 2017
5.	Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd

1. Health and Social Care Integration, National Audit Office, February 2017

The NAO has recently published a report on health and social care integration. The report highlights that progress with integration of health and social care has, to date, been slower and less successful than envisaged and has not delivered all of the expected benefits for patients, the NHS or local authorities. As a result, the government's plan for integrated health and social care services across England by 2020 is at significant risk.

In the face of increased demand for care and constrained finances, while the Better Care Fund, the principal integration initiative, has improved joint working, it has not yet achieved its potential. The Fund has not achieved the expected value for money, in terms of savings, outcomes for patients or reduced hospital activity, from the £5.3 billion spent through the Fund in 2015/16.

The Department of Health and the Department for Communities and Local Government have identified barriers to integration, such as misaligned financial incentives, workforce challenges and reticence over information sharing, but are not systematically addressing them. Research commissioned by the government in 2016 concluded that local areas are not on track to achieve the target of integrated health and social care by 2020.

The report also found that NHS England's ambition to save £900 million through introducing seven new care models may be optimistic. The new care models are as yet unproven and their impact is still being evaluated. While the Departments and their partners have set up an array of initiatives examining different ways to transform care and create a financially sustainable care system, their governance and oversight of the initiatives is poor.

In addition, no compelling evidence was found to show that integration in England is yet leading to sustainable financial savings or reduced acute hospital activity. While there are some good examples of integration at a local level, evaluations have been inhibited by a lack of comparable cost data across different care settings, and difficulty tracking patients through different care settings.

<https://www.nao.org.uk/report/health-and-social-care-integration/>

2. Housing in England: Overview, National Audit Office, January 2017

The NAO has recently published an overview of the housing market in England, the Department for Communities and Local Government's (DCLG) housing strategy and the overall housing policy landscape. The need for housing in England has in recent years grown faster than its supply.

Total estimated government spending on housing in England was approximately £28 billion in 2015/16. The most significant element of this is housing benefit. In 2015/16 there were 4.1 million claimants in England, costing around £20.9 billion. Two of DCLG's four strategic objectives for this Parliament are focused on housing: increasing home ownership, and increasing the supply of homes, with an ambition of delivering a million new homes in England by 2020.

The report finds that housebuilding has not kept pace with need, and this is particularly acute in London. It notes that DCLG is reliant on the market to achieve its housing objectives and it is not yet clear what impact the result of the referendum on Britain's membership of the European Union will have on the market. The report also finds that housing has become more affordable for existing homeowners, whereas by contrast housing has become less affordable for first-time buyers, and social housing rents have been increasing faster than earnings since 2001/02. Homelessness has also increased over the past five years. At the end of March 2016, 71,500 homeless households in England were in temporary accommodation, up from around 48,000 in 2010/11.

Various public bodies have responsibilities for housing, often using housing as a means of achieving other objectives. In addition, changes made in one area of housing policy can have impacts in other areas. In July 2015, for example, the government announced a reduction in the rents housing associations and local authorities could charge of 1% per year. This reduced the ability of housing associations to finance the construction of new housing.

<https://www.nao.org.uk/report/housing-in-england-overview/>

3. Auditor General Guidance Note AGN/01, National Audit Office, December 2016

The National Audit Office (NAO) issues guidance to auditors of public sector bodies. The main revision to the General Guidance note is to update explanatory and supplementary guidance on meeting the requirements in the Code of Audit Practice to safeguard integrity, objectivity and independence in the conduct of local audit. The Annex to the guidance also illustrates how the requirements of the Financial Reporting Council's (FRC) ethical standard on financial, business, employment and personal relationships apply to audits of local public bodies.

The guidance note and its Annex is addressed to local auditors however it is recommended that audit teams ensure that their audited bodies are aware of the need for auditors to comply with relevant ethical requirements and also that those charged with governance are briefed as appropriate on the requirements of the FRC's ethical standard.

We confirm that we have taken into account the updated guidance and fully comply with the FRC's ethical standard.

<https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

4. Highways Network Asset briefing, CIPFA, January 2017

The latest briefing covers the postponement of the introduction of the new measurement requirements for Housing Network Assets until the 2017/18 financial statements (subject to the full confirmation of that decision at the March 2017 meeting of CIPFA/LASAAC). It also reminds relevant authorities to review and reassess their plans for implementing the changes in accordance with the extended timetable.

<http://www.cipfa.org/policy-and-guidance/highways-network-asset-briefing>

5. Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd

The latest 2016/17 monitoring report (quarter 3) highlights full compliance with the Regulator's standards for Mazars LLP.

<http://www.psaa.co.uk/audit-quality/principal-audits/mazars-audit-quality/>

Contact details

Please let us know if you would like further information on any items in this report.

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