

AUDIT AND GOVERNANCE COMMITTEE

29 April 2022

ANNUAL GOVERNANCE REVIEW / STATEMENT 2021/2022

Report of the Executive Director of Corporate Services

1. Purpose of Report

- 1.1 This report provides details of the 2021/22 Annual Governance Review, the updated Local Code of Corporate Governance, Risk and Assurance Map at the end of the year and the Internal Audit opinion on the adequacy of the overall system of internal control. A draft Annual Governance Statement and an improvement plan for the year ahead are included.

2. Description of Decision

- 2.1 The Audit and Governance Committee are asked to
- Consider and agree the updated Local Code of Corporate Governance at Appendix 1,
 - note the report and Risk and Assurance Map at Appendix 2,
 - consider and agree the Improvement Plan included at Appendix 3, and
 - consider and agree the draft Annual Governance Statement at Appendix 4.

3. Background

- 3.1 In April 2021 the Committee approved the proposed Risk and Assurance Map for 2021/22 and the plans of work for Internal Audit and the Risk & Assurance team.
- 3.2 A key feature of the Council's Integrated Assurance Framework is to co-ordinate assurance that could be provided by other sources within the Council and external sources, for the Council and its wholly owned companies, Together for Children Ltd, Sunderland Care and Support Ltd and Siglion LLP. The results of this assurance work are used to review the Council and companies' corporate governance arrangements on an annual basis.
- 3.3 The Local Code of Corporate Governance is reviewed annually to ensure that it is up to date and effective, minor changes are proposed mainly in relation to the Council's City Plan, the updated version is attached at Appendix 1. A copy of the updated code shall be issued to all Members and Senior Management once agreed. The Council is also required to publish an Annual Governance Statement (AGS) with its Statement of Accounts, covering the Council and its companies which must be supported by a comprehensive assurance gathering process.

4. Annual Governance Review 2021/22

4.1 The review was undertaken by gathering assurance throughout the year from several sources via the Integrated Assurance Framework. Following the impact of the Covid19 Pandemic full Internal Audit coverage and assurance arrangements have been in place throughout 2021/22.

4.2 The review has considered assurance provided from:

- Assistant Directors
- Executive Directors
- Specialist functions with an oversight of governance arrangements
- Risk and Assurance
- Internal and External Audit
- Other external agencies

Risk and Assurance Map

4.3 The assurances gathered are shown in the Risk and Assurance Map which is updated and reviewed on a quarterly basis and presented to the Chief Officers and the Audit and Governance Committee throughout the year. The Audit and Governance Committee have monitored the assurances provided, received progress updates and considered the performance of the Internal Audit team. The Risk and Assurance Map as at 31st March 2022 is shown at Appendix 2.

Strategic Risk Areas

4.4 The top section of the Map relates to the risks identified in the Strategic Risk Profile, which reflects the priorities in the City Plan. Progress against each of the planned actions to mitigate the risks has been assessed with the lead officers and assurance levels determined for all areas.

Assurance from Internal Audit

4.5 The Map shows the opinion of Internal Audit from work undertaken within 2021/22 and the preceding three years in relation to the Council and its wholly owned companies.

4.6 The rating from Internal Audit in relation to the strategic and corporate risk areas has remained constant throughout the year.

Assurance from Risk and Assurance

4.7 Much of the work of Risk and Assurance is ongoing over a period of time due to the nature of the role, however, where ongoing assurance can be provided from the work, this is shown on the Map. Assurance work that has been ongoing in 2021/22 includes:

- Assurance in relation to regeneration activity, including major schemes such as Sunderland Strategic Transport Corridor (SSTC) phase 3, the International Advanced Manufacturing Park, the new City Hall and the proposed Pedestrian Crossing over the River Wear.

- Key ICT developments, including the Smart Cities Programme.
- City Centre Developments
- Monitoring and reporting of the risks to the City from the Covid 19 pandemic, the exit from the EU and more recently, the conflict in Ukraine.
- Supporting the risk management arrangements at the Port.
- Supporting the Adults Safeguarding Board.

Assurance from others within the Council

- 4.8 Assurance provided from others within the Council is shown in the Risk and Assurance Map. This predominantly shows substantial assurance against the risk areas.

Assurance from Management

- 4.9 Arrangements have been developed to obtain assurance from service management in a number of areas on an annual basis.

Assurance from External Sources

- 4.10 The Map includes feedback received following the OFSTED inspection and the external auditor. The results of the OFSTED inspection gave an Outstanding rating which has resulted in the overall assurance position for Together For Children Ltd moving to Green

Overall

- 4.11 The overall level of assurance for all risk areas is either Green or Amber.

Internal Audit Performance

- 4.12 As a result of two employees retiring from Internal Audit, another taking up a post elsewhere and unexpected long term sickness the Internal Audit Team has had a shortage of staff resources during the year. Recruitment has been difficult due to a lack of candidates in the market and although two posts were eventually filled one was a promotion of an internal employee and therefore a vacancy remains. To assist Internal Audit with the delivery of the Audit Plan for the year an external internal audit firm has been engaged. With their assistance Internal Audit have been able to achieve their target of completing 91% of the original Audit Plan for the Council which enables an internal audit opinion to be given for the year. A small number of audits have been carried forward into 2022/23 with the agreement of the Chief Officers.
- 4.13 All of the Key Performance Indicator targets set for Internal Audit for the year were achieved.
- 4.14 It is confirmed that the internal auditors undertaking the work continue to remain independent of the areas audited.

Counter Fraud / Error Work

- 4.15 Planned counter fraud / error work was undertaken in the following areas during the year:
- BACS compliance testing
 - Purchasing Cards
 - Income Collection
 - Business Rates Recovery
 - Council Tax Recovery
 - Housing Rent Collection
- 4.16 The work carried out did not highlight any significant issues however some opportunities for improvements to the control environment were identified, which have been reported upon.

Corporate Governance Improvement Plan

- 4.17 The corporate governance improvement plan for 2021/22 included five actions. A review of progress on these actions found that all are complete.
- 4.18 As a result of this review five improvements have been identified to strengthen the arrangements and these are detailed at Appendix 3. Actions are recommended in relation to continuing the support for employees through new ways of working and the move to City Hall, the review of management arrangements and delegated authority when implementing the senior management restructure, reviewing business continuity arrangements for Critical services specifically in relation to a significant loss of ICT, continuing to monitor the impact of global issues and the cost of living rises, and ensuring employees receive regular appraisals.

Compliance with the Public Sector Internal Audit Standards

- 4.19 Internal Audit continues to comply with the Public Sector Internal Audit Standards (PSIAS) through the standards being built into audit working practices. This was confirmed during an independent review of the service by the council's external auditors Mazars in December 2018, which concluded:

'We conclude that the IA is compliant with the requirements of the PSIAS and the CIPFA Application Note.'

- 4.20 A further external review will be undertaken during 2022.

5. Draft Annual Governance Statement

- 5.1 The Annual Governance Statement has been drafted taking into account the findings of the annual governance review and is attached at Appendix 4.

6. Conclusion / Opinion

- 6.1 This report sets out the assurance provided in the Risk and Assurance Map, work undertaken by the Internal Audit team and performance for Internal Audit for 2021/22.
- 6.2 The opinion of the head of internal audit has been reported to the Audit and Governance Committee throughout the year. This opinion continues to be that the Council has an adequate system of internal control.
- 6.3 The Council continues to have robust and effective corporate governance arrangements in place. The views elicited during the review from senior managers across the Council, and all Chief Officers, demonstrate that the principles of good governance continue to be embedded Council-wide.

7. Recommendations

- 7.1 The Audit and Governance Committee are asked to:
- Consider and agree the updated Local Code of Corporate Governance at Appendix 1,
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