

AUDIT AND GOVERNANCE COMMITTEE

AGENDA

Meeting to be held in the Civic Centre (Committee Room No. 1) on Friday 15 December 2017 at 1.30pm

ITEM	PAGE
1. Receipt of Declarations of Interest (if any)	
2. Apologies	
3. Minutes of the Meeting of the Committee held on 29 September 2017 (Copy attached.)	1
4. Risk and Assurance Map 2017/2018 - Update Report of the Head of Assurance, Procurement and Performance Management (copy attached).	7
5. Risk and Assurance Map Consultation 2018/2019 Report of the Head of Assurance, Procurement and Performance Management (copy attached).	33
6. Treasury Management 2017/2018 – Third Quarterly Review Report of the Executive Director of Corporate Services (copy attached).	35
7. External Auditor Progress Report Report of Mazars LLP (copy attached).	49

ELAINE WAUGH, Head of Law and Governance

Civic Centre, Sunderland
6 December 2017

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AUDIT AND GOVERNANCE COMMITTEE
Friday 29 September 2017

Present:

Mr G N Cook

Councillor G Walker and Mr M Knowles.

In Attendance:

Barry Scarr (Executive Director of Corporate Services), Paul Davies (Head of Assurance, Procurement and Performance Management), Tracy Davis (Assistant Head of Assurance), James Magog (Chief Accountant), Gavin Barker (Mazars) and Gillian Kelly (Principal Governance Services Officer).

Declarations of Interest

There were no declarations of interest.

Apologies for Absence

Apologies for absence were received from Councillors Speding and Wood.

Minutes

8. RESOLVED that the minutes of the meeting of the Committee held on 21 July 2017 be confirmed as a correct record.

Councillor Geoff Walker was welcomed to his first meeting of the Committee.

Risk and Assurance Map 2017/2018 – Update

The Head of Assurance, Procurement and Performance Management presented the updated Risk and Assurance Map which had been reviewed 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.

The Head of Assurance, Procurement and Performance Management directed Committee Members to the Risk and Assurance Map and advised that this had been updated to reflect the new Priority Themes which had been set out as part of the

updated Corporate Plan and Corporate Delivery Plan. The Strategic Risk Areas were the nine themes within the Corporate Plan and the full detail of these was shown at Appendix 2.

The Strategic Risk Profile had been revised and updated in line with the new Corporate Delivery Plan and new risks developed in consultation with Directorates as follows: -

- R012: Unable to commission/procure flexible arrangements for the delivery of Place services, that will continue to respond to changing stakeholder requirements and deliver the required efficiency savings;
- R018: Inability to change the structures (i.e. workforce, technology, processes, customer engagement), service capability and culture of the company [TfC] to deliver the improved outcomes to vulnerable children;
- R019: Activity to improve the care options for Adults does not meet the needs of individuals or result in reduced costs to the Council; and
- R020: Agitators use national issues/incidents to heighten tensions in local communities in Sunderland.

Three existing risks had also been reworded and, in some cases, moved into a new Priority Theme as follows: -

- R002: 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 growing north east economy to benefit the people of Sunderland.
- R003: Local workforce does not have the required skills to take advantage of the growing north east economy; and
- R010: Opportunities are not taken to regenerate the coast in a timely manner or development is restricted by a lack of resources.

The Head of Assurance, Procurement and Performance Management said that it was pleasing to note that the cumulative assurance position for all of the Strategic Risk Areas were rated as green and amber and this showed that mitigating actions were being progressed.

The full detail of the Corporate Risk Areas was set out in Appendix 3 and Members' attention was drawn to the cumulative assurance position in two areas: there was no assurance position in relation to Health and Safety because no audit had yet taken place to give a view; and the Cyber Security risk area was showing as having limited or no assurance as a result of the last audit although this was now out of date, however the position would not change until a new piece of work was carried out, which was planned for this year.

In relation to the council owned companies listed at the bottom of the Risk and Assurance Map, the Committee were advised that Together for Children had been added during the last quarter but showed no assurance position because sufficient work had not yet been undertaken. The first audit of the company was almost complete and a report would be taken to the Audit and Finance Committee of Together for Children Limited.

The new housing company, Sunderland Homes Limited, had been added to the Map and a programme of audit work was being developed for the company.

The overall assurance position for ICT infrastructure remained amber but the ICT internal assurance column had changed to green. An audit was being carried out in relation to Disaster Recovery/Business Continuity to confirm this position.

There remained a number of red areas on the Map in relation to external assurance and most of these were related to the Ofsted inspection of Children's Safeguarding. There was a judgement of little or no assurance in relation to Information Governance and Members were advised that there was a project which had been set up to implement the new General Data Protection Regulation (GDPR) and this would be likely to change the assurance position going forward.

The report highlighted the major areas of work which the Risk and Assurance Team were involved in and these included complex and high level schemes such as the New Wear Crossing, the development stage of the SSTC and the International Advanced Manufacturing Park.

All of the Key Performance Indicators were on track apart from the percentage of medium risk recommendations which had been implemented which stood at 89% against a target of 90%. This was not an issue of concern for the service area.

The Assistant Head of Assurance advised that the National Cyber Security Centre had issued a document a few years ago on 'Ten steps towards cyber security' and this had been used in past risk work and would be used again to look at the refreshed arrangements. The National Audit Office had also issued guidance for Audit Committees on Cyber Security and Information Risk which provided the areas that committee members should be receiving assurance about. The Assistant Head of Assurance advised that these areas would be covered within the planned audit and the results fed back to the Committee.

Mr Knowles commented that there were always risks when data was shared and the Assistant Head of Assurance said that this would be covered within the upgraded Office 365 system as this offered sharing of data for both systems and people.

Having considered the report, the Committee: -

9. RESOLVED that the update Risk and Assurance Map 2017/2018 be noted.

Treasury Management 2017/2018 – Second Quarterly Review

The Executive Director of Corporate Services presented a report outlining the Treasury Management performance for the second quarter of 2017/2018 and setting out the Lending List Criteria, Approved Lending List and the Risk Management Review of Treasury Management.

The Council's Treasury Management function continued to look at ways to maximise financial savings and increase investment return to the revenue budget. The

Committee were advised that PWLB rates had fluctuated throughout 2016/2017 and continued to be volatile, therefore no new borrowing had been taken out to date in 2017/2018; however it was expected that borrowing would be taken out during the next financial year.

The Council's interest rate on borrowing was very low, currently 3.40%, and the authority benefitted from this lower cost of borrowing and also from ongoing savings from past debt rescheduling exercises. The rate of return on investments was 0.53% compared with a benchmark of 0.11%.

The Treasury Management Prudential Indicators were regularly reviewed and the Council was well within the limits set for all of these. The investment policy was also regularly monitored and reviewed to ensure that it had the flexibility to take full advantage of any changes in market conditions which would benefit the Council.

The Council's authorised lending list continued to be updated regularly to take into account financial institution mergers and changes in institutions' credit ratings. The updated Approved Lending List was attached as Appendix C to the report for information. It was noted that Moody's had recently downgraded the UK's credit rating and this would be reflected in the next quarterly review.

Mr Knowles asked how assurance could be given that the Authority would not run out of cash and the Chief Accountant advised that cashflow was reviewed daily and there was a monthly meeting to assess capital and revenue spending and if borrowing might be required. It was not envisaged that there would be any borrowing during this year and the Committee were informed that meetings were held between the Executive Director of Corporate Services and Capita on a six monthly basis and they provided external assurance.

With regard to forecasting on cashflow, the Executive Director of Corporate Services stated that this was very conservative and capital spending did not often go as expected and would usually end up with a surplus. Technically the Council could not run out of funds as it would borrow to cover this but discussions were currently taking place on adopting a more risk based approach to cash management.

10. RESOLVED that: -

- (i) the Treasury Management performance for the second quarter of 2017/2018 be noted; and
- (ii) the Lending List Criteria set out at Appendix B, the Approved Lending List at Appendix C and the Risk Management Review of Treasury Management at Appendix D be noted.

Annual Audit Letter 2016/2017

Gavin Barker, Mazars LLP, presented the Annual Audit Letter for the year ended 31 March 2017 which provided a summary of work which had been undertaken for

Sunderland City Council and was designed to be read by a wider audience including the public and external stakeholders.

The audit had been concluded in July, two months earlier than usual in preparation for changes to the accounting requirements for the 2017/2018 audit and the Value for Money conclusion had been qualified due to the Ofsted judgement of 'inadequate' for children's safeguarding services which was still in place. In all other respects, there were no issues in relation to the audit.

The Letter summarised the outcome, approach and methodology for the audit and highlighted levels of materiality and significant risks. It also set out the approach and commentary on the Value for Money conclusion and how significant risks to Value for Money were considered.

Mazars had a number of other reporting responsibilities which were highlighted within the report, including reporting to the National Audit Office in respect of the Whole of Government Accounts. There were no matters to report in relation to any of Mazars' other responsibilities.

The final fee for audit work was in line with expectations and it was noted that Mazars had been commissioned to carry out some additional work in relation to the Skills Funding Agency grant claim and the Teachers' Pension Return. The Letter concluded by looking ahead to future challenges for the Council and how the external auditors would work with the Authority going forward.

The Executive Director of Corporate Services stated that the £3.6m budget gap which had been referenced in the Letter had now been addressed and the Council's Medium Term Financial Strategy was now balanced until 2020. There were no red rated savings and there was an underspend of £1.7m projected at the end of the second quarterly review of the Capital Programme.

Having thanked the external auditors for their pleasing report, the Committee: -

11. RESOLVED that the Annual Audit Letter 2016/2017 be noted.

External Auditor Progress Report

Mazars, the Council's external auditors, presented their regular Audit Progress Report covering the period up to September 2017.

Gavin Barker advised that the 2016/2017 audit work had been completed apart from the completion of the certification of claims in relation to housing benefit. This work was due to be complete by 30 November 2017. Planning for the 2017/2018 audit would begin in the next quarter.

The report highlighted the publication of the following documents: -

- 2017-2018 work programme and scale of fees, Public Sector Audit Appointments Ltd, March 2017

- Reality check: next steps in delivering sustainability and transformation plans, CIPFA, April 2017
- The levy, apprenticeships and the public sector, CIPFA, May 2017
- Building financial resilience: managing financial stress in local authorities, CIPFA, June 2017
- Procurement of audit services delivers outstanding results, Public Sector Audit Appointments Ltd, June 2017
- Online Fraud, NAO, June 2017
- Annual Regulatory Compliance and Quality Report 2016-2017, Public Sector Audit Appointments Ltd, August 2017
- Cyber security and information risk guidance for Audit Committees, NAO, September 2017
- Homelessness, NAO, September 2017

The Committee were informed that following the process for procuring audit services for local authorities, Mazars LLP had increased their market share. Contracts would begin for the 2018/2019 financial year and run for five years with an option to extended for a further two years. The new contract would bring forward a possible reduction in scale fees of 18%. It was highlighted that the performance of Mazars had been consistently of a high standard and this was evidenced in the Compliance and Quality report produced by Public Sector Audit Appointments Ltd.

Accordingly the Committee: -

12. RESOLVED that the Audit Progress Report be noted.

(Signed) G N COOK
Chair

AUDIT AND GOVERNANCE COMMITTEE

15 December 2017

RISK AND ASSURANCE MAP UPDATE – 2017/18

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 Strategic Risk Profile and 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 also 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 Strategic Risk Profile and Risk and Assurance Map (the Map).

3. Background/Introduction

- 3.1 In May 2017 the Committee approved the proposed Risk and Assurance Map for 2017/18 and the plans of work for Internal Audit and Risk & Assurance. These plans of work are directly derived from the Strategic and Corporate Risk Profiles that were approved by the Committee in September and December 2016, respectively. The risk profiles and the Risk and Assurance Map have since been updated in line with the refreshed Corporate Plan and Delivery Plan (as reported to Members in September 2017).

4. Risk and Assurance Map

- 4.1 The current Risk and Assurance Map is attached at Appendix 1 which has been updated to reflect the new Priority Themes. The Map has been updated to show the current cumulative risk score for each risk area as well as the cumulative assurance position.

Strategic Risk Areas

- 4.2 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.

- 4.3 The cumulative risk scores and assurance position are 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 there is positive assurance regarding actions being taken to manage the risks in relation to a number of the strategic risk areas.
- 4.4 An audit of 'Adult Social Care – Personal Budgets' which reviewed the arrangements in place to manage the financial aspects of adult social care through the care and assessment process has recently been completed and concluded that no assurance could be provided that the systems of internal control were adequate. This was due to the arrangements being inadequate in a number of areas and the opportunities for financial savings should controls be improved (shown as Red in the Internal Audit column against Protecting Vulnerable Adults). A Senior Manager from the Directorate shall be in attendance at the Committee to provide an update.
- 4.5 An update in relation to the actions being taken to manage individual risks in the Strategic Risk Profile has resulted in current risk scores being reduced for risks R01, R08 and R021.

Corporate Risk Areas

- 4.6 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 risk area of Health and Safety has been updated with the risks, risk scores and mitigating actions. The mitigating actions in relation to these risks are due to be complete, in the main, by the end of April 2018. Therefore instead of the planned audit of these arrangements it is more appropriate for the Risk and Assurance Team to support the development of these arrangements with the Corporate Health and Safety Team.
- 4.7 The assurance level for Information Governance from Internal Audit has moved from limited to moderate (Amber) due to improved results from the follow up of last year's audit. This has confirmed that awareness of the requirements has improved. Developments are continuing regarding the implementation of the requirements of the General Data Protection Regulations. An audit of this has been started.
- 4.8 An audit of the Council's ICT disaster recovery / business continuity arrangements has been completed. A significant amount of work has been done to improve the arrangements with more work planned to improve the resilience of the infrastructure of the data centre at Moorside. A number of tests in discrete areas have been undertaken by ICT with positive results with a full test being planned for February 2018. The current conclusion of the audit is Moderate assurance which is to be revisited once the full test by ICT has been completed.

- 4.9 The red assurance level in relation to Cyber Security is the result of an audit undertaken some time ago. An audit has been started to re-assess the arrangements now in place.

Council Owned Companies

- 4.10 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. The first two audits of Together for Children Ltd. have been completed, both of which concluding Substantial assurance.

Assurance from Internal Audit

- 4.11 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.
- 4.12 The Assurance rating/level provided regarding the overall Council's ICT arrangements remains Amber following the completion of the audit of Disaster Recovery / Business Continuity arrangements. An audit of Cyber Security is on-going and an audit of the ICT Strategy and Infrastructure is planned.

Assurance from Risk and Assurance Team

- 4.13 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 existing enterprise zones.
 - Development of the assurance arrangements for Together for Children Sunderland Ltd.
 - The planned upgrade of SAP and its associated procedures.
 - Risks in relation ICT business objectives, including disaster recovery/business continuity and implementation of Office 365 (move to the Microsoft cloud).
 - Replacement of the SWIFT ICT system (Liquid Logic).
 - Information Governance.
 - Corporate Health and Safety Arrangements.
 - Results of the matching exercise carried out by the National Fraud Initiative.
 - Risk management support for events, including the Airshow and Tall Ships.

Assurance from others within the Council

- 4.14 Assurance provided from others within the Council is shown in the Risk and Assurance Map. Assurance from Financial Resources in relation to Sunderland Care and Support Ltd has moved from Amber to Green. Assurance has been received for Together for Children Ltd in relation to its business continuity arrangements, this being Amber.

Assurance from Management

- 4.15 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

- 4.16 The Map includes assurance from relevant external sources. Positive feedback continues to be received from the OFSTED monitoring visits. A full inspection is expected over the next few months.

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 28th November 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 medium risk recommendations implemented for Schools. The percentage for the Council and schools is shown below.

Area	Implementation Rate
Council services	90%
Schools	87%

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 Strategic Risk Profile and 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		
Promoting Better Living & Working		
Maximising the Cultural Offer		
Leading Place Shaping		
Improving Education and Skills		
Improving Health and Wellbeing		
Protecting Vulnerable Children		
Protecting Vulnerable Adults		
Building Resilient 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		
Health and Safety		
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 Ltd.		
Together for Children Sunderland Ltd.		
Sunderland Homes Ltd.		

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	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

Appendix 2

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

						Original score (Sept 2016)			Target score			Current Score					2nd Line								3rd Line				
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
Planning City Growth	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	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	Develop and implement a process to monitor and review progress of the 3,6,9 Vision delivery plan. Key milestones are reflected in the Corporate Plan and monitored through project governance and performance management arrangements.	Executive Director of Place and Economy	Year one actions from the 3 6 9 Plan delivered: March 17	4	2	8	Growing the Economy					X	X			X		
Planning City Growth	R002	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 growing the North East Economy, 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 Missed opportunities for investment and development of skills	Sunderland's ambitions could be at risk due to activity co-ordinated through regional strategies. Sunderland continues to carry out activities in isolation in areas where there is a regional approach supported by regional funding	Corporate Plan	4	4	16	4	2	8	Officer and Members to be fully aligned with regional opportunities and work proactively to develop the region whilst protecting the interests of Sunderland	Chief Executive / Director of Strategy, Partnerships and Transformation	Realignment of Sunderland position and understanding of the impacts of recent developments December 2017	4	3	12										X		
Planning City Growth	R003	Local workforce does not have the required skills to take advantage of the growing North East economy.	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 collaborative working 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 Strategy, Partnerships and Transformation	01 March 2018	4	4	16										X		
Planning City Growth	R004	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. We are unable to take land out of the greenbelt Loss of New Homes Bonus if plan not agreed by March 17	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	Undertake the appropriate research, analysis and consultation to provide the evidence base to the Planning Inspectorate to show that our Plan is sound. Key milestones are reflected in the Corporate Plan and monitored through Project Board and performance management arrangements.	Executive Director of Place and Economy/Head of Planning & Regeneration	Local Plan passes inspection. (date TBD by Gov.)	3	2	6			X				X			X		
Sector Growth	R005	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	Monitor and review the actions being undertaken to incentivise / support industries to prosper in the city to achieve targets and outcomes. IAMP project and Vaux project (Siglion) have robust project governance arrangements.	Executive Director of Place and Economy	IAMP adoption December 2017 DCO submission late 2017 Enterprise Zone Phases 1B and 2 infrastructure works Construction complete September 2018	4	2	8				X	X	X				X		
Sunderland as a Place to Invest	R006	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	Developing the appropriate infrastructure Obtaining external funding to develop infrastructure Effective marketing to encouraging a diverse range of investors	Executive Director of Place and Economy	01 March 2018	4	2	8				X		X				X		
Regenerating the City Centre	R007	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	Siglion business plan City Centre Masterplans Sunderland BID (Business Improvement District)	4	3	12	4	2	8	Masterplanning underway in further areas (Holmeside, Minster Quarter, Sheepfolds, Sunnyside). Continue to engage and consult with developers and other stakeholders at the pre planning application stage to help streamline the process. Siglion projects have robust project governance arrangements. Bid submitted for balance of Station funding. Other capital projects monitored and reported. Funding team horizon scanning and preparing funding bids.	Executive Director of Place and Economy/Head of Planning & Regeneration	Vaux Building 1 handed over to Council Summer 2018 Holmeside Masterplan October 2017 Minster Quarter Masterplan agreed March 2017 Sunderland Station project reinvigorated funding bid Autumn 2016	4	2	8												
Connecting the City	R008	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	Engage with landowners and key stakeholders to support development of targeted sites. Robust governance for SSTC2 project. SSTC3 scoping work underway to achieve project within budget. SSTC 4&5 - funding bid submitted July 2016.	Chief Operating Officer Place/Head of Infrastructure & Transport	Bridge Contraction completion date February 2018 SSTC3 Planning application Dec 16 New Road completed Nov 19	3	3	9		X			X	X				X		
More and Better Housing Development	R009	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	Fail to improve the housing offer to retain and attract residents to Sunderland	Housing Strategy Siglion business plan	3	3	9	3	2	6	See above re Local Plan. Incentivise developers and put in place enabling infrastructure. Programme activity so that developers are ready to submit planning applications as soon as the Local Plan is adopted. SCC property disposal programme. Siglion housing sites in progress. SCC Housing Delivery Plan in preparation.	Executive Director of Place and Economy/Chief Operating Officer Place	Delivery Plan to be produced September 2016 Seaburn planning application determined June 2017. Housing Strategy agreed by Cabinet June 2017	3	2	6	Promoting Better Living and Working											
10) Regenerating the Coast	R010	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	Seaburn phase 1 to deliver apartments and commercial space	Executive Director of Place and Economy/Planning Implementation Technical Manager	December 2019	3	3	9												

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	
11) Developing the Cultural Offer	R011	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 Culture Company established with agreed remit and areas of focus Successful fundraising bid for National Portfolio Organisation funding Shortlisted for City of Culture 2021	3	2	6	3	1	3	Further develop the role of the Culture Company in terms of delivering the cultural offer, potentially through the management of cultural venues Submit final bid for City of Culture 2012 Support the Culture Company as a partner to fulfil remit in relation to City of Culture Bid, NPO, programming and fundraising	Executive Director of People Services	April 2017 January 2017	3	2	6	Maximising the Cultural Offer							x		
High Quality and Sustainable	R012	Unable to commission / procure flexible arrangements for the delivery of Place services, that will continue to respond to changing stakeholder requirements and deliver required efficiency savings.	A restrictive contract may not allow future changes to services whilst continuing to deliver savings Unable to meet all stakeholder expectations including Members and Trade Unions	Fail to deliver good quality and cost effective Place services	Options appraisal Cabinet report	4	2	8	4	1	4	Options appraisal to take into account changing future requirements and budget envelope.	Chief Operating Officer - Place	December 2017	3	2	6	Leading Place Shaping									
Ready for School, Ready for Work, Ready for Life	R013	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 fulfillment 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	Contract clearly sets out what is to be delivered by together for Children Ltd, managed monthly through the operational Commissioning Group and Performance clinics Member reference group being established to review the position after the first 6 months Provision of nursery places for 3 year olds will be in place for September apart from Barnes which will be completed by November 2017	4	4	16	3	2	6	Contract monitoring arrangements with Together for Children to continue to monitor delivery and performance	Executive Director People Services	March 2018	3	3	9	Improving Education and Skills	X		X			X	X		
Improving Health and Wellbeing - review and transform key public Health outcomes.	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. Two meetings arranged between the Health and Wellbeing Board and Economic Leadership Board	Director of Public Health	March 2018	4	3	12	Improving Health and Wellbeing		X	X			X			
Transform Key Children's Services - Looked After Children, Early Help and Social Care	R015	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	March 2018	4	3	12	Protecting Vulnerable Children			X						X
Transform Key Children's Services - Looked After Children, Early Help and Social Care	R016	Timely interventions are not undertaken to deliver early help/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	2	8	Children and families in need of help are identified and multi-agency services act together to improve outcomes	Director of Children's Services	March 2018	4	3	12										
Transform Key Children's Services - Looked After Children, Early Help and Social Care	R017	Timely and sustainable solutions are not implemented for looked after children 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	March 2018	4	3	12				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		
Transform Key Children's Services - Looked After Children, Early Help and Social Care	R018	Inability to change the structures (ie workforce, technology, processes, customer engagement), service capacity, and culture of the company to deliver the improved outcomes to vulnerable children.	Lack of capacity, resources, will or expertise to effect change. Lack of adequate planning. Poor management of change	Children remain at risk Children do not realise their full potential Children and families do not receive the support and care they need Council may have to provide further financial resources to support children's services.	Improvement Plan Business Plan for company approved by both Company and Council (commissioner) to ensure aligned to delivery of Council priorities and objectives. Monitoring of performance by Company and Council.	3	3	9	3	2	6	Delivery and close scrutiny of Improvement Plan and act on any areas for improvement identified during each Ofsted monitoring visit. Delivery and close scrutiny of Business Plan for Company. Implementation of recruitment & retention strategy. Directors to manage budgets with appropriate support from Finance. This includes monthly meetings with Budget Holders and formal reporting arrangements to TIC Board, OCG and the Council. A Base Budget review exercise will be completed to inform options available	Director of Children's Services	March 2018	3	3	9									X		
Choice and Independence in Care	R019	Activity to improve the care options for adults does not meet the needs of individuals or result in reduced costs to the Council	Solutions do not provide for increased independence and therefore require more expensive provision	Unable to provide vulnerable adults with effective choice over their care Savings not achieved Significant additional cost to the Council	Assistive technology delivery plan in place Technology Forum set up to consider ideas for solutions Capital invest to save bid submitted De-registration of homes for adults with physical and mental health problems almost complete Review of more flexible service delivery methods being undertaken	3	2	6	3	1	3	Deliver the assistive technology delivery plan including pilot testing of technological solutions. Secure capital resources to support assistive technology developments Develop assessment criteria for considering options brought to the technology forum Consider options for providing electronic needs assessments	Executive Director of People Services	December 2017 September 2017 July 2018	3	2	6	Protecting Vulnerable Adults		X					X			
Community Safety & Cohesion	R020	Agitators use national issues / incidents to heighten tensions in local communities in Sunderland	Terrorist incidents are blamed on specific ethnic / faith groups, raising anxiety in areas where they live in Sunderland	Sections of the community become isolated. Young people become radicalised through fear.	Safer Sunderland Partnership Citywide Prevent Action Plan Monthly cohesion meeting with lead Superintendent from Northumbria Police chaired By Director of Strategy, Partnerships and Transformation. Regular consideration of Community Tension Assessments from Northumbria Police. Significant issues raised weekly with Chief Officer	4	2	8	4	1	4	Support Partners to improve community safety and maintain high levels of feelings of safety for all	Director of Strategy, Partnerships and Transformation	September 2018	4	2	8	Building Resilient Communities							X			
Welfare Reform	R021	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	2	8		6		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
3	2	1	
2	1		
1			
1	2	3	4
Negative Impact			

Original score
(Dec 2016)

Target score

Current score

	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact	Likelihood	Rating	Impact	Likelihood	Rating	Mitigating Actions	Source of Assurance			
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	COG JLT Corporate Planning Process	4	2	8	4	1	4	Corporate Plan driven by required outcomes and commissioning activity. Refresh of the JSNA to be undertaken	Risk and Assurance Team Internal Audit	4	1	4
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	COG 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	1	4	Performance in relation to the delivery of outcomes is regularly monitored	Corporate Performance management Internal Audit	4	2	8
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											
	1st Line	2nd Line								3rd Line	
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
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	

	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	1	3	Management review performance on a regular basis and take appropriate action to rectify unacceptable performance	Corporate Performance management arrangements Internal Audit	3	1	3
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	Performance management arrangements include a review of the achievement of outcomes where partners have some responsibility for delivery	Corporate Performance management Internal Audit	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	Partnership agreement in place with each partners setting out the expectations of each party and the required reporting arrangements	Governance questionnaire Internal Audit	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	The Council's procurement procedures are followed and good procurement practice is undertaken	Internal Audit Governance Questionnaire Risk and Assurance	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	Commissioners engage with Corporate procurement in enough time to undertake an appropriate and legal procurement process	Internal Audit	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	Commissioners engage with Corporate procurement in enough time to undertake an appropriate and legal procurement process	Internal Audit	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	The new Head of Contractual Relationships will improve the skills in this area and will ensure that appropriate contract management arrangements are in place for all key procurements undertaken by the Council	Governance questionnaire Internal Audit	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	Review of key decisions by Law and Governance	Law and Governance Governance questionnaire Internal Audit	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	The Council's strategic and corporate risks are identified, assessed and managed through EMT and the Audit and Governance Committee Service Planning process to identify key risks	Risk and Assurance Team Audit and Governance Committee	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	Further developments to the reporting of performance in relation to the achievement of outcomes and priorities, including the use of an appropriate ICT solution.	Corporate performance management Internal Audit	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	The Corporate Plan Delivery Plan will need to be refreshed / updated in line with the agreed budget	Head of Transformation Financial Resources	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	Appropriate consultation and intelligence gathering is undertaken in assessing the Council's short to medium term financial position	Financial Resources External Audit	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	
										X	
Relationship / Contract Management	X				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	The Council's financial position is regularly reported to the Executive Management Team and Members	Financial Resources	3	1	3	Financial Reporting			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	Financial performance reporting is aligned to performance reporting to identify any potential inaccuracies or 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	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	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	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	Established procedures are in place and followed by adequately trained staff for the assessment and processing of benefit claims	Internal Audit	4	1	4	Income Collection (including CT/NNDR)									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	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	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	The Capital Programme is directly aligned to the Council's Corporate Plan and strategic priorities	Financial Resources Internal Audit	3	1	3	Capital Programme Management			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	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	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	HR Management	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	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	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	Health and Safety	Council officers do not fully understand H&S roles and responsibilities	1) Roles and responsibilities not clearly documented and/or communicated effectively 2) Loss of knowledge from organisational change and staff churn. 3) Ineffective training and awareness programme 4) Lack of easy access to relevant documents on the Hub	1) Lack of ownership and accountability for H&S 2) Inconsistent approach to the management of H&S issues across directorates, divisions and teams. 3) Reduced compliance with quality standards and best practice. 4) Inability to adequately prevent incidents occurring. 5) Inadequate documentation and controls leading to injury and death.	1) Corporate Health and Safety Team	4	3	12	3	2	6	1) H&S Strategy/Policy to be reviewed/revised to include: - Clear description of the council's legal responsibilities - Roles and Responsibilities of Corp. H&S Team, CoG, Directorates, HoS, Managers, Premises Mgrs., officers. - Responsibilities for compliance and reporting requirements. - How awareness will be raised and maintained. - How the Policy will be implemented 2) Review/develop arrangements to effectively coordinate and oversee H&S Training programme across the council 3) H&S responsibilities to be included in leaver handover arrangements	Head of HR and OD Internal Audit	4	3	12	Health and Safety							X	X	X	
R38		The council's key H&S risks are not identified, understood or agreed	1) Lack of effective coordinated corporate approach to the identification of H&S risks. 2) Lack of awareness or prioritisation of H&S across Chief officers, managers and operational colleagues. 3) Lack of clear responsibilities of premises managers, landlords and leaseholders	1) Key H&S risks not effectively managed leading to injury or death of the public, staff, suppliers or partners. 2) H&S legal duties not fulfilled and/or demonstrated 3) Reduced oversight and accountability at strategic and operational levels across the council leading to uninformed decision making. 4) None compliance with quality standards. 5) Litigation and adverse PR.	1) Corporate Health and Safety Team	4	3	12	3	2	6	1) Establish corporate approach for the effective identification of key corporate H&S risks across the council 2) H&S risk register to developed and communicated across senior officers together with clear roles and responsibilities for the ongoing management and delivery of agreed actions.	Head of HR and OD Internal Audit	4	3	12									X		
R39		Appropriate action plans are not developed and agreed to manage the council's key H&S risks	1) Lack of joined up corporate approach to the management of H&S risks 2) Lack of effective process to develop clear and robust action plans to establish relevant controls and officer ownership.	1) Effective controls not established and/or operated appropriately. 2) Inconsistent and disjointed approach across the council to the management of shared risks leading to confusion and mismanagement of control systems.	1) Corporate Health and Safety Team 2) Health and Safety Audits	4	3	12	3	2	6	1) Review effectiveness of H&S Management System and agree any areas for development. 2) Establish corporate governance arrangements to develop and agree risk action plans, and oversee the H&S agenda, including (but not limited to): - Maintenance of H&S Policy - Maintenance programme - Testing plan - Building security - Employee protection - Monitoring and reporting of delivery of action plans and effectiveness of existing controls - H&S Training delivery	Head of HR and OD Internal Audit	4	3	12									X		
R40		Strategic approach to incident management does not adequately inform decision making	1) Lack of understanding of responsibilities and accountability for incident response. 2) Non-compliance with incident reporting arrangements 3) Limited trend analysis and learning lessons from incidents 4) Availability of quality data/information to inform effective reporting to CoG	1) Ineffective decision making. 2) Implementation of inappropriate controls. 3) Existing controls not reviewed and revised in response to learning from incidents becoming out-of-date and ineffective. 4) Avoidable repetition of incidents.	1) Corporate Health and Safety Team 2) Annual Health and Safety Report	3	3	9	3	1	3	1) Monitor compliance with incident reporting arrangements and address any areas for development. 2) Establish arrangements to provide assurance that controls have been reviewed following organisational/staffing changes or incidents. 3) Arrangements to be developed to ensure lessons are learned from incidents. 4) Trend analysis to be complete to inform regular reporting to CoG.	Head of HR and OD Internal Audit	3	3	9									X		
R41	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	ICT Infrastructure	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	
R42		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	X	
R43	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	Cyber Security					X			X	X	
R44	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	Information Governance / Security	X	X						X	X	X
R45	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	Business Continuity Management	X						X	X	X	
R46		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	
R47	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	Protect Office Risk and Assurance Internal Audit	3	2	6	Programme / Project Management	X		X					X	X	X
R48	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	Asset Management				X				X	X	
R49		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		
R50	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

Strategic Risk Profile

Key Risk Area	2014/15 Audits / Opinions		2015/16 Audits/Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		Scope of 2017/18 Audit	Overall Opinion
Improving Educations and Skills							Together for Children Contract Monitoring		Review of the contract monitoring arrangements in place with Together for Children	
Protecting Vulnerable Children							Together for Children Contract Monitoring		Review of the contract monitoring arrangements in place with Together for Children	
Protecting Vulnerable Adults							Assessment and Management of Personal Budgets	N	Review of the arrangements in place to manage the financial aspects of adult social care through the care and assessment process	

Corporate Risk Profile

Key Risk Area	2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		Scope of 2017/18 Audit	Overall Opinion
Commissioning	Commissioning	L	Commissioning	L			Commissioning		Audit of commissioning decisions not managed through transformation programme, could also include procurement and contract management activity - People Directorate	
Strategic Planning					Corporate Service Planning Arrangements	S	Service/Business Planning		Audit of compliance, including service/business planning for 2017/18	
Service/Business Planning	Corporate Service Planning Arrangements		Community and Family Wellbeing		Transformational Change Programme	M	Service/Business Planning		Audit of compliance, including service/business planning for 2017/18	
	Community and Family Wellbeing - Governance Arrangements		Adoption Service		Corporate Service Planning Arrangements	S				
	Multi Agency Safeguarding Hub		Multi Agency Safeguarding Hub		Ethos					
	Port Governance Arrangements	M	Commissioning	L						
	LEP Accountable Body Arrangements	S	Corporate Service Planning Arrangements	S						
Service Delivery Arrangements	Customer Services Network	M	Community and Family Wellbeing		Better Care Fund	M	Corporate Performance Management	S	Compliance with corporate performance arrangements to be audited in 2017/18	
			Adoption Service		Transformational Change Programme	M				
			Multi Agency Safeguarding Hub		Leaving Care Grants	L				
			Safeguarding and Quality Assurance Unit		Ethos					
			Commissioning	L	Business Continuity Planning					
			Personal Budgets	S	Bereavement Services	S				

Key Risk Area	2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		Scope of 2017/18 Audit	Overall Opinion
			Accounting/General Ledger	S						
Performance Management	Corporate Performance Management Arrangements	M	Multi Agency Safeguarding Hub		Corporate Performance Management Arrangements	S	Corporate Performance Management	S	Compliance with corporate performance arrangements to be audited in 2017/18	
	Community and Family Wellbeing - Governance Arrangements		Community and Family Wellbeing		Adult Services Performance Management					
			Capital Programme Funding and Monitoring Benefits Realisation	S L						
			Safeguarding and Quality Assurance Unit							
Partnership /Integrated Working	Corporate Partnership Arrangements	L	Follow Up of 2014/15 audit		Partnerships	S	Corporate Partnership Arrangements		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	Commissioning	L	Commissioning	L	Agency Workers - Off contract spend	L	Commissioning		Audit of commissioning decisions not managed through transformation programme, could also include procurement and contract management activity - People Directorate	
	Contract Management	M	Revenue Procurement	S			Revenue Procurement		Audit of procurement process for a sample of low value spends in 2017/18	
	Capital Procurement	S					Homecare Payments		To look at process for making payments to homecare providers	
Relationship/Contract Monitoring	Commissioning	L	Commissioning	L	Leisure Services Management	S	Contract Management - Public Health School Nursing Service		Audit of the contract management arrangements in place for Public Health School Nursing Service contract	
			Contract Management - Sunderland Care and Support	M	LABV Client Arrangements	M	Commissioning		Audit of commissioning decisions not managed through transformation programme, could also include procurement and contract management activity - People Directorate	
			LABV	L	Highways Contract Monitoring	M	Together for Children Contract Monitoring		Audit of contract management arrangements for Together for Children in 2017/18 in line with the new corporate arrangements	
			Capital Programme Funding and Monitoring Benefits Realisation	S L						
Legality			Constitution	M	Employment Clearances	L				
Risk Management	Port Governance Arrangements	M								
Performance Reporting					Corporate Performance Management Arrangements	S	Corporate Performance Management	S	Compliance with corporate performance arrangements to be audited in 2017/18	
					Adult Services Performance Management					

Key Risk Area	2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		Scope of 2017/18 Audit	Overall Opinion
Strategic Financial Planning/MFTS			Coporate Service Planning Arrangements	S			Provision for significant financial liabilities	S	To look at the process followed for estimating the Council's outstanding liabilities for equal pay claims and the value and type of funds set aside	
Financial Reporting	Accounting/General Ledger	S	Accounting/General Ledger	S	Better Care Fund	M	Budget Setting and Management		To look at the arrangements in place for budget setting and management/monitoring	
					Transformational Change Programme	M				
Financial Management	EFA/SFA Funding	S	EFA/SFA Funding	S	Leaving Care Grants	L	Budget Setting and Management		To look at the arrangements in place for budget setting and management/monitoring	
	Local Transport Capital and Integrated Transport Grants	S	Local Transport Capital and Integrated Transport Grants	S	Bereavement Services	M	Payroll compliance testing		To include testing of loss of protection end of March 2017	
	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	BACS Compliance testing	S	Transaction testing on a sample of BACS transactions	
	Contaminated Land Grant	S	Personal Budgets	L	Agency Workers - Off contract spend	L	Housing Benefit Assessment	M	Audit work to review the changed arrangements and ensure that they are working as intended and not leading to increased risk of fraud and error.	
	Benefit Cap Advisors Grant	S	Financial Verification of Leavers from the Direct Payments Scheme	S	EFA/SFA Funding	S	Sport for Life Grant	S	Grant review	
	Adoption Reform Grant	S	Commissioning	L	Local Transport Capital and Integrated Transport Grants	S	EFA Funding	S	Grant review	
	Commissioning	L	Personnel Administration Arrangements		Troubled Families Performance Reward Funding	S	Local Transport Capital Settlement	S	Grant review	
	Port Governance Arrangements	M	LABV	S	City Deal (which replaces Big Coastal Communities Grant for which there is no audit requirement)	S	Local Transport Integrated Transport	S	Grant review	
	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	Nexus (Combined Authority)	S	Grant review	
	Personal Budgets	M	BACS Processing	S	Sport for Life Grant		Pothole Action Fund	S	Grant review	
	Accounting/General Ledger	S	Accounts Payable	M	SSTC2	S	City Centre Cycle Permeability Scheme		Grant review	
	SAP Organisation Structures		Benefits Administration	S	Adult Social Care Contributions		Disabled Facilities Grant	S	Grant review	
	Mobile Phones Contract	L	Payroll	M	Port Fuel System	L				
	BACS Processing	S	Autism Innovation Grant	S	Payroll	S				
	Payroll	M	Agency Workers (Unplanned)	N	Asset Register/Capital Accounting	S				

Key Risk Area	2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		Scope of 2017/18 Audit	Overall Opinion
	Accounts Payable	M	Go Smarter to Work Grant	S	Accounts Payable	M				
	Benefits Administration	S			Pension Arrangements	S				
	Elections Hardware Grant	S								
Income Collection (including CR/NNDR)	Cash Receipting	S	Port Income	M	Income	S	Cash Receipting, collection of Council Tax, NNDR, AR and PI	S	Audit of Cash Receipting process	
	Council Tax Valuation	S	Cash Receipting	S			Business Rate Recovery		Audit of Business Rates Recovery	
	Business Rates Valuation	S	Accounts Receivable	S			Council Tax Recovery		Compliance Testing	
	Accounts Receivable	S	Periodic Income	S			AR Recovery		Compliance Testing	
	Periodic Income	S	Business Rates Liability	S						
	Recovery of Benefit Overpayments	M	Business Rates Revised Billing	S						
	Cash in Transit/Parking Services Income	M	Enforcement Section	S						
Capital Programme Management			Capital Programme Funding and Monitoring Benefits Realisation	S L						
HR Management	SAP Organisation Structures		SAP Organisation Structures	M	Employment Clearances	L	Workforce Planning and Apprenticeship Scheme		Audit of workforce planning to determine how well the Council is managing the changes to its staffing profile, including within the HR service. Review of the arrangements to comply with the apprenticeship levy	
	Corporate Training and Development Arrangements	L	Induction Procedures	M	Ethos					
			Code of Conduct/Whistleblowing	M	Agency Workers - Off Contract	L				
			Personnel Administration Arrangements		Payroll	S				
			Agency Workers (Unplanned)	N	SAP Organisation Structures	S				
					Personnel Administration Arrangements	M				
					Pension Arrangements	S				
Health and Safety							Corporate Health and Safety Arrangements		Audit of Corporate Health and Safety Arrangements for 2017/18	
ICT Infrastructure	Physical and Environmental Controls	S			ICT Technology Allocation Process	M	ICT Strategy and Infrastructure		Undertake an audit of the arrangements to monitor the performance and integrity of the Council's new infrastructure	
	Mobile Phones Contract	L					Disaster Recovery/Business Continuity Arrangements	M		
Cyber Security			Cyber Security	L			Cyber Security Arrangements		an audit of the Council's arrangements for protecting itself against cyber attacks	

Key Risk Area	2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		Scope of 2017/18 Audit	Overall Opinion
Information Governance/Security	Corporate Information Governance Arrangements	L	Corporate Information Governance Arrangements	L	Corporate Information Governance Arrangements	M	Building Access Security Sites - Remote Sites	M	To undertake out of hours security checks and remote sites.	
	Multi Agency Safeguarding Hub		Multi Agency Safeguarding Hub		Use of Email	M	General Data Protection Regulations		To look at the Council's approach and preparation for the introduction of GDPR in May 2018	
			Use of Email	M						
Business Continuity Management	Corporate Business Continuity Planning	M	Emergency Planning	S	Business Continuity Planning		Corporate Business Continuity Arrangements		Audit of Corporate business continuity arrangements to ensure the most up to date plans are held by relevant officers and that service plans have been updated, including the reliance of ICT infrastructure.	
Programme/Project Management	Programme and Project Management	S	Corporate Service Planning Arrangements	S	Transformational Change Programme	M	SAP Procedure Update		Audit of the introduction of the changes to SAP systems to ensure they are being complied with.	
	Realisation of Benefits & Savings	M	Capital Programme Funding and Monitoring Benefits Realisation	S L						
Asset Management			LABV	L	LABV Client Arrangements	M	Corporate Asset Management		Undertake and audit of the arrangements to make use of the Council's assets, including maintenance and occupancy.	
			Corporate Asset Mangement	M	Asset Register/Capital Accounting	S				
					ICT Technology Allocation Process	M				
Anti Fraud and Corruption	Counter Fraud Testing	M	Financial Verification of Leavers from the Direct Payments Scheme	S	Port Fuel System	L	Revenue Procurement		Audit of procurement process for a sample of low value spends in 2017/18	
	National Fraud Initiative Case Investigations	S	BACS Processing	S			Homecare Payments		To look at process for making payments to homecare providers	
	Schools Counter Fraud Checks	S	Cash Receipting	S			Payroll compliance Testing		To include testing of loss of protection end of March 2017	
	Personal Budgets	M	Accounts Payable	M			BACS compliance testing	S	Transaction testing on a sample of BACS transactions	
	BACS Processing	S	Accounts Receivable	S			Cash Receipting	S	Audit of Cash Receipting process	
	Cash Receipting	S	Periodic Income	S			Business Rate Recovery		Audit of Business Rates Recovery	
	Payroll	M	Benefits Administration	S			Council Tax Recovery		Compliance Testing	
	Council Tax - Valuation	S	Business Rates - Liability	S			AR Recovery		Compliance Testing	
	Capital Procurement	S	Enforcement Section	M						

Key Risk Area	2014/15 Audits / Opinions		2015/16 Audits / Opinions		2016/17 Audits / Opinions		2017/18 Audits / Opinions		Scope of 2017/18 Audit	Overall Opinion
	Benefits Adminsitration	S	Payroll	M						
	Accounts Payable	M	Revenue Procurement	S						
	Accountst Receivable	S	Agency Workers (Unplanned)	N						
	Periodic Income	S								
	SAP Organisation Structures									
	Cash in Transit/Parking Services Income	M								
Schools	30 schools completed to date. 23 Substantial, 5 Moderate, 1 Limited	S	18 schools in the plan, 15 completed to date. 13 Substantial, 2 Moderate	S	31 schools in the plan, 30 completed to date. 25 Substantial, 5 Moderate	S	27 schools in the plan, 14 completed to date. 10 Substantial, 3 Moderate, 1 Limited	S		
Sunderland Care and Support	Governance Arrangements	L	Community Equipment Store	M	Establishment Visits/Supported Living	M	Establishment Visits/Supported Living	M	Compliance with the financial procedures in place	
	Farmborough Court	S	Grace House Partneship	M			Unit Costing		To look at Unit costing model in place and ascertain it is appropriate and includes all necessary costs. Then also test its application and whether being used correctly	
	Financial Procedures in Residential and	L	Reablement	M			Procurement/Transaction Testing		To look at process for bringing ordering directly into the company and whether separation of duties is maintained	
			Governance Arrangements	M			Governance/Audit Committee		To look at set up and operation fo the Audit Committee	
Together for Children							Governance Arrangements	S	Review of the operation of the governance arrangments to determine if they ae being effective	
							Effectiveness of SLA Relationships	S	Review the effectiveness of the arrangements between Children's services being delivered by TfC and the Council	
							Financial Procedures - bank account/income		To look at processes in place for the operation of the bank account and recording income	
							Information Governance/GDPR		To look at arrangements in place ready for introduction of GDPR	

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2017/18

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) 82% 4) Lower than average within CIPFA Benchmarking Club	1) On target 2) Ahead of target -- 93% 3) Ahead of target – 97% 4) On target - £388 v £527 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 – on target – 100% Medium – on target 90% (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 – 1.2 to date 2) None undertaken 3) 5 compliments 0 complaints

AUDIT AND GOVERNANCE COMMITTEE

15 December 2017

CORPORATE ASSURANCE MAP - CONSULTATION FOR 2018/19

Report of the Head of Assurance, Procurement and Performance Management

1. Purpose of Report

- 1.1 Each year the Audit and Governance Committee is consulted at an early stage on the development of the plans of work for the Internal Audit and Risk and Assurance teams for the forthcoming year to give members the opportunity to raise any issues which they feel should be considered.
- 1.2 The allocation of resources will continue to be flexible given the level of changes that are occurring across the Council. Based on knowledge of the work of the Council currently, there are a number of areas that are expected to be a priority for 2018/19. These are as follows:
 - On-going support and audit work in relation to Council owned companies.
 - Implementation of the social care ICT system (Liquid Logic) which is replacing SWIFT.
 - Economic Development, including SSTC Phase 3 and work on the International Advanced Manufacturing Park.
 - Adult social care.
 - Performance Management – Data Quality
 - Information governance.
 - ICT work including the Intrusion Prevention System/Firewall security and Security Incident Event Management System (currently being procured).
 - National Fraud Initiative – full exercise.
 - Tall Ships event.
 - Commissioning and contract management.
 - Key corporate functions/systems, particularly where significant changes / budget reductions are planned or have occurred.
- 1.3 A discussion will be held at the Committee to seek its input for the Risk and Assurance Map, and the plans of work for Internal Audit and Risk and Assurance for 2017/18.

2. Recommendation

- 2.1 The Committee is asked to consider and comment on the areas mentioned above and any additional areas which should be considered.

AUDIT AND GOVERNANCE COMMITTEE

15 December 2017

TREASURY MANAGEMENT – THIRD QUARTERLY REVIEW 2017/2018

Report of the Executive Director of Corporate Services

1. Purpose of Report

- 1.1 To report on the Treasury Management (TM) performance to date for the third quarter of 2017/2018.

2. Description of Decision (Recommendations)

- 2.1 The Committee is requested to:

- Note the positive Treasury Management performance during Quarter 3 of 2017/2018.
- Note the Lending List Criteria at Appendix B and the Approved Lending List at Appendix C.

3. Introduction

- 3.1 This report sets out the Treasury Management performance to date for the third quarter of the financial year 2017/2018, in accordance with the requirements of the Treasury Management Policy and Strategy agreed by Council.

4. Summary of Treasury Management Performance for 2017/2018 – Quarter 3

- 4.1 The Council's Treasury Management function continues to look at ways to maximise financial savings and increase investment return to the revenue budget. PWLB rates continue to be volatile, in part linked to uncertainty over the outcome of Brexit negotiations and the timing of the rise in the Bank of England Base Rate announced on 2nd November 2017. In line with advice from Link Asset Services (formerly called Capita Asset Services), the Council's treasury management advisor, the Council sought to take advantage of these low rates to support the Council's Capital Programme requirements and borrow £10m. This will help maintain the Council's long-term borrowing interest rate at its comparatively low levels and will benefit the Council's revenue budget over the longer term, whilst providing the capital funding required.
- 4.2 One option to make savings is through debt rescheduling, however no rescheduling has been possible in 2017/2018 as rates have not been

considered sufficiently favourable. It should be noted the Council's interest rate on borrowing is very low, currently 3.26%, and as such the Council benefits from this lower cost of borrowing and also from the ongoing savings from past debt rescheduling exercises. Based on advice from the Council's treasury advisor, performance continues to see the Council's rate of borrowing compare favourably to other authorities.

- 4.3 Treasury Management Prudential Indicators are regularly reviewed and the Council is within the limits set for all of its TM Prudential Indicators. The statutory limit under section 3 (1) of the Local Government Act 2003, which is required to be reported separately, (also known as the Authorised Borrowing Limit for External Debt) was set at £577.553m for 2017/2018. The Council's maximum external debt during the financial year to 30th November 2017 was £361.876m and is well within this limit. More details of all of the TM Prudential Indicators are set out in section A2 of Appendix A for information.
- 4.4 The Council's investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions which will benefit the Council.
- 4.5 As at 30th November 2017, the funds managed by the Council's Treasury Management team have achieved a rate of return on its investments of 0.61% compared with the benchmark 7 Day LIBID (London Interbank Bid) rate of 0.14%. Performance is significantly above the benchmark rate, whilst still adhering to the prudent policy agreed by the Council, in what remains a very challenging market.

The rate of return on investments has remained at the very low levels seen in previous years although there has been some upward movement since the Bank of England announced the 0.25% increase in the base rate to 0.50% at its Monetary Policy Committee meeting on 2nd November 2017, the first rise in more than a decade. Special tranche investment rates (which offer better than market average returns) have risen slightly since the increase to the base rate and interest rates are continuously monitored so that the Council can take advantage.

- 4.6 More detailed Treasury Management information is included in Appendix A for Members' information.
- 4.7 The regular updating of the Council's authorised lending list is required to take into account financial institution mergers and changes in institutions' credit ratings since the last report. The updated Approved Lending List is shown in Appendix C for information.

5. Recommendation

- 5.1 Members are requested to note the Treasury Management (TM) performance for the third quarter of 2017/2018.
- 5.2 Members are requested to note the Lending List Criteria at Appendix B and the Approved Lending List at Appendix C.

Detailed Treasury Management Performance – Quarter 3 2017/2018

A1 Borrowing Strategy and Performance – 2017/18

- A1.1 The Borrowing Strategy for 2017/2018 was reported to Cabinet on 8th February 2017 and approved by full Council on 1st March 2017.

The Borrowing Strategy is based upon interest rate forecasts from a wide cross section of City institutions. The view in February 2017, when the Treasury Management Policy and Strategy was drafted, was that the Bank Base Rate would remain at 0.25% until the second quarter of 2019, after Brexit negotiations have concluded, and then rise to 0.75% by December 2019. PWLB borrowing rates were expected to remain flat or with only minor increases during 2017/2018 across all periods.

The Bank of England's (BoE) Monetary Policy Committee voted at its 2nd November 2017 meeting to increase the Bank Rate by 0.25% to 0.50%, the first increase since July 2007, with an expectation of a further two rises in the next three years taking the base rate to 1.00% by 2020. The MPC also expressed concern over the apparent lack of significant progress in Brexit negotiations and uncertainties over how they will proceed which is reflected in heightened volatility in the markets as events unfold.

Separately, the Quarterly Inflation Report was notably downbeat about economic growth, with the trend rate having slowed from 2.2% to 1.5%. Inflation levels were also little changed from the August report, with CPI inflation expected to peak at 3.2% in October from September's figure of 3.0% before falling to 2.1% in the last quarter of 2020. This is above the 2.0% target level for inflation but the Monetary Policy Committee's (MPC) remit specifies that, in exceptional circumstances, the Committee must balance any trade-off between the speed at which it intends to return inflation sustainably to the target and the support that monetary policy provides to jobs and activity.

This pessimistic outlook was further reflected in the Chancellor's Autumn Budget on 22nd November with GDP growth forecasts revised down since the March 2017 Budget to 1.5% in 2017, 1.4% in 2018 and 1.3% in 2019 (from 2.0%, 1.6% and 1.7%). The Budget also outlined provision of over £1 billion of discounted lending available to local authorities to support high-value infrastructure projects. Further details are to be announced in December 2017 and will be assessed to determine if these can be used as part of the Councils borrowing strategy. .

Link Asset Services, the Council's treasury management advisor, predict a gradual rise in PWLB rates is likely with rates reaching 1.60%, 2.20%, 2.90% and 2.60% for 5, 10, 25 and 50 year durations by 31st March 2018. High levels of volatility in PWLB rates and bond yields are expected to continue during 2017. The volatility is highly correlated to geo-political events and sovereign debt crisis developments and continued uncertainty over what form of Brexit will emerge on conclusion of negotiations and how difficult the EU could be in setting terms.

The following table shows the average PWLB rates for Quarters 1 to 3 to date.

2017/2018	Qtr 1* (Apr - June) %	Qtr 2* (Jul – Sept) %	Qtr 3* (Oct – 28th Nov) %
7 days notice	0.11	0.11	0.11
1 year	0.87*	1.01*	1.17*
5 year	1.23*	1.37*	1.58*
10 year	1.89*	2.01*	2.16*
25 year	2.60*	2.69*	2.76*
50 year	2.34*	2.44*	2.47*

*rates take account of the 0.2% discount to PWLB rates available to eligible authorities that came into effect on 1st November 2012.

A1.2 The strategy for 2017/2018 is to adopt a pragmatic and flexible approach in identifying the low points in the interest rate cycle at which to borrow, and to respond to any changing circumstances to seek to secure benefit for the Council. A benchmark financing rate of 3.50% for long-term borrowing was set for 2017/2018 in light of the views prevalent at the time the Treasury Management policy was set in March 2017. Volatility in the financial markets in Quarters 1 and 2 continued in Quarter 3 leading to considerable movement of funds into gilts with a resulting fall in both gilt yields and PWLB rates which the Council has taken advantage of. Rates then rose before falling to around the levels at which additional borrowing was taken out, but the overall longer term expectation is for gilt yields and PWLB rates to rise, albeit gently.

A1.3 In line with discussions with the Council's economic advisors, the Council has sought to take advantage of the low borrowing rate troughs that have occurred and which will benefit the revenue budget over the longer term. As a result the Council has taken out £10 million of new borrowing during the financial year as these rates were considered opportune. The new borrowing is summarised in the following table:

Duration	Date of the transaction	Start	Matures	Rate %	Loan Amount £m
48½ years	03/11/2017	07/11/2017	07/05/2066	2.41	10.0

Since taking out this new borrowing rates have fluctuated but remain at around the same levels. The position remains volatile and the Treasury Management team continues to closely monitor PWLB rates to assess the value of possible further new borrowing in line with future Capital Programme requirements.

A1.4 The Borrowing Strategy for 2017/2018 made provision for debt rescheduling but due to the proactive approach taken by the Council in recent years, and because of the very low underlying rate of the Council's long-term debt, it would be difficult to refinance long-term loans at interest rates lower than those already in place.

Rates have not been sufficiently favourable for rescheduling in 2017/2018 so far and the Treasury Management team will continue to monitor market conditions and secure early redemption if appropriate opportunities should arise.

The Council successfully applied to access PWLB loans at a discount of 0.20%. This 'certainty rate' is available for those authorities that provide "improved information and transparency on their locally determined long-term borrowing and associated capital spending plans". The discount came into effect on 1st November 2012 and the Council has been successful in extending its access to the PWLB certainty rate until at least 31st October 2018.

A1.5 The Council's treasury portfolio position at 30th November 2017 is set out below:

		Principal (£m)	Total (£m)	Average Rate (%)
Borrowing				
Fixed Rate Funding	PWLB	207.8		
	Market	39.6		
	Other	4.2	251.6	3.57
Variable Rate Funding	Temporary / Other		27.6	0.41
Total Borrowing			279.2	3.26

A2 Treasury Management Prudential Indicators – 2017/2018

- A2.1 All external borrowing and investments undertaken in 2017/2018 have been subject to the monitoring requirements of the Prudential Code. Under the Code, Authorities must set borrowing limits (Authorised Borrowing Limit for External Debt and Operational Boundary for External Debt) and must also report on the Council's performance for all of the other TM Prudential Indicators.
- A2.2 The Chartered Institute of Public Finance and Accountancy are reviewing both the Prudential Code for Capital Finance and the Treasury Management Code of Practice and it is anticipated that revised requirements will be introduced from 1st April 2018. In addition the Department for Communities and Local Government are consulting on changes to the Guidance on Local Government Investments with any changes anticipated to take place from 1st April 2018. The impact of any changes to requirements will be reviewed and incorporated in the Treasury Management Policy and Strategy, Prudential and Treasury Indicators, and Minimum Revenue Policy Statement for 2018/2019 reported to Audit and Governance Committee in February 2018.
- A2.3 The statutory limit under section 3(1) of the Local Government Act 2003 (which is also known as the Authorised Borrowing Limit for External Debt) was set by the Council for 2017/2018 as follows:

	£m
Borrowing	493.192
Other Long-Term Liabilities	84.361
Total	<u>577.553</u>

The Operational Boundary for External Debt was set as shown below:-

	£m
Borrowing	414.599
Other Long Term Liabilities	<u>84.361</u>
Total	<u>498.960</u>

The Council's maximum external debt in respect of 2017/2018 (to 30th November 2017) was £361.876m and is well within the limits set by both of these key indicators.

A2.4 The table below shows that all other Treasury Management Prudential Indicators have been complied with:

Prudential Indicators		2017/2018 (to 30/11/17)	
		Limit £'000	Actual £'000
P10	Upper limit for fixed interest rate exposure		
	Net principal re fixed rate borrowing / investments	340,000	177,907
P11	Upper limit for variable rate exposure		
	Net principal re variable rate borrowing / investments	58,000	5,526
P12	Maturity Pattern	Upper Limit	
	Under 12 months	50%	11.97%
	12 months and within 24 months	60%	2.19%
	24 months and within 5 years	80%	6.20%
	5 years plus	100%	80.52%
	A lower limit of 0% for all periods		
P13	Upper limit for total principal sums invested for over 364 days	75,000	0

A3 Investment Strategy – 2017/2018

A3.1 The Investment Strategy for 2017/2018 was approved by Council on 1st March 2017. The general policy objective for the Council is the prudent investment of its treasury balances. The Council's investment priorities in order of importance are:

- (A) The **security** of capital;
- (B) The **liquidity** of its investments and then;
- (C) The Council aims to achieve the **optimum yield** on its investments but this is commensurate with the proper levels of security and liquidity.

A3.2 As at 30th November 2017, the funds managed by the Council's in-house team amounted to £152.544 million and all investments complied with the Annual Investment Strategy. This includes monies invested on behalf of all other external organisations. The table below shows the return received on these investments compared with the benchmark 7 Day LIBID (London Interbank Bid) rate, which the Council uses to assess its performance.

	2017/2018 Actual to 30/11/17 %	2017/2018 Benchmark to 30/11/17 %
Return on investments	0.61	0.14

- A3.3 Investments placed in 2017/2018 have been made in accordance with the approved investment strategy and comply with the Counterparty Criteria in place, shown in Appendix B, which is used to identify organisations on the Approved Lending List.
- A3.4 The investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions to the Council's advantage. New European Financial Directives known as MiFID II come into force on 3rd January 2018 which impact on the Council's investment policy. These directives are designed to strengthen transparency and investor protection in financial markets across the EU. Under the directives each client is classed as either retail or professional. Financial Institutions dealing with a number of regulated products including direct investments such as Certificates of Deposit, Gilts, Corporate Bonds and investment funds (including Money Market Funds) will only be able to deal with professional clients. All Local Authorities will be classified as de facto retail counterparties under MiFID II but with the option to ask to opt up to professional status subject to meeting qualitative and quantitative criteria. The Council is in discussion with the financial institutions and will seek to opt up to professional client status where this is appropriate.
- A3.5 Investment rates available in the market remain lower than those achieved in previous years, although there has been some upward movement since the Bank of England announced the 0.25% increase in the base rate to 0.50% at its Monetary Policy Committee meeting on 2nd November, the first rate rise since July 2007.
- A3.6 Due to the continuing high volatility within the financial markets, particularly in the Eurozone, advice from our Treasury Management advisers is to continue to restrict investments with all financial institutions to shorter term periods.
- A3.7 Advice also continues that the above guidance is not applicable to institutions considered to be very low risk, mainly where the government holds shares in these organisations (i.e. RBS) and therefore have the UK Government rating applied to them, or separately in respect of Money Market Funds which are AAA rated.
- A3.8 The regular updating of the Council's authorised Lending List is required to take into account financial institution mergers and changes in institutions' credit ratings. The Approved Lending List is shown in Appendix C.

Counterparty Criteria

The Council takes into account not only the individual institution's credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's), but also all available market data and intelligence, the level of government support and advice from its Treasury Management advisers.

Set out below are the criteria to be used in determining the level of funds that can be invested with each institution. Where an institution is rated differently by the rating agencies, the lowest rating will determine the level of investment.

Fitch / S&P's Long Term Rating	Fitch Short Term Rating	S&P's Short Term Rating	Moody's Long Term Rating	Moody's Short Term Rating	<u>Maximum Deposit</u> £m	<u>Maximum Duration</u>
AAA	F1+	A1+	Aaa	P-1	120	2 Years
AA+	F1+	A1+	Aa1	P-1	100	2 Years
AA	F1+	A1+	Aa2	P-1	80	2 Years
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	75	2 Years
A+	F1	A-1	A1	P-1	70	364 days
A	F1 / F2	A-1 / A-2	A2	P-1 / P-2	65	364 days
A-	F1 / F2	A-2	A3	P-1 / P-2	50	364 days
Local Authorities (limit for each local authority)					30	2 years
UK Government (including debt management office, gilts and treasury bills)					350	2 years
Money Market Funds Maximum amount to be invested in Money Market Funds is £120m with a maximum of £50m in any one fund.					120	Liquid Deposits
Local Authority controlled companies (# duration limited to 20 years in accordance with Capital Regulations)					20	# 20 years

Where the UK Government holds a shareholding in an institution the UK Government's credit rating of AA will be applied to that institution to determine the amount the Council can place with that institution for a maximum period of 2 years.

The Code of Practice for Treasury Management in the Public Services recommends that consideration should also be given to country, sector, and group limits in addition to the individual limits set out above. These new limits are as follows:

Country Limit

It is proposed that only non-UK countries with a minimum sovereign credit rating of AA+ by all three rating agencies will be considered for inclusion on the Approved Lending List.

It is also proposed to set a total limit of £100m which can be invested in other countries provided they meet the above criteria. A separate limit of £350m will be applied to the United Kingdom and is based on the fact that the government has done and is willing to take action to protect the UK banking system.

Country	Limit £m
UK	350
Non-UK	100

Sector Limit

The Code recommends a limit be set for each sector in which the Council can place investments. These limits are set out below:

Sector	Limit £m
Central Government	350
Local Government	350
UK Banks	350
Money Market Funds	120
UK Building Societies	100
Foreign Banks	100

Group Limit

Where institutions are part of a group of companies e.g. Lloyds Banking Group, Santander and RBS, then total limit of investments that can be placed with that group of companies will be determined by the highest credit rating of a counterparty within that group, unless the government rating has been applied. This will apply provided that:

- the UK continues to have a sovereign credit rating of AA; and
- that market intelligence and professional advice is taken into account.

Proposed group limits are set out in Appendix C.

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
UK	AA	-	Aa2	-	AA	-	350	2 years
Lloyds Banking Group							Group Limit 65	
Lloyds Bank Plc	A+	F1	Aa3	P-1	A	A-1	65	364 days
Bank of Scotland Plc	A+	F1	Aa3	P-1	A	A-1	65	364 days
Royal Bank of Scotland Group (See Note 1)							Group Limit 80	
Royal Bank of Scotland Group plc	BBB+	F2	Baa3	P-3	BBB-	A-3	80	2 years
The Royal Bank of Scotland Plc	BBB+	F2	A2	P-1	BBB+	A-2	80	2 years
National Westminster Bank Plc	BBB+	F2	A2	P-1	BBB+	A-2	80	2 years
Santander Group							Group Limit 65	
Santander UK plc	A	F1	Aa3	P-1	A	A-1	65	364 days
Barclays Bank plc	A	F1	A1	P-1	A	A-1	65	364 days
Clydesdale Bank *	BBB+	F2	Baa2	P-2	BBB+	A-2	0	
Co-Operative Bank Plc	B-	B	Caa2	NP	-	-	0	
Goldman Sachs International Bank	A	F1	A1	P-1	A+	A-1	65	364 days
HSBC Bank plc	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Nationwide BS	A+	F1	Aa3	P-1	A	A-1	65	364 days
Standard Chartered Bank	A+	F1	A1	P-1	A	A-1	65	364 days
Top Building Societies (by asset value)								
Nationwide BS (see above)								
Coventry BS	A	F1	A2	P-1	-	-	65	364 days
Leeds BS	A-	F1	A3	P-2	-	-	50	364 days
Nottingham BS **	-	-	Baa1	P-2	-	-	0	
Principality BS **	BBB+	F2	Baa2	P-2	-	-	0	
Skipton BS **	A-	F1	Baa1	P-2	-	-	0	
West Bromwich BS **	-	-	B1	NP	-	-	0	
Yorkshire BS **	A-	F1	A3	P-2	-	-	50	364 days

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Money Market Funds							120	Liquid
Prime Rate Stirling Liquidity	AAA				AAA		50	Liquid
Insight Liquidity Fund	AAA		-		AAA		50	Liquid
Standard Life Investments Liquidity Fund	AAA		-		AAA		50	Liquid
Deutsche Managed Sterling Fund	AAA		Aaa		AAA		50	Liquid
Foreign Banks have a combined total limit of £100m								
Australia	AAA		Aaa		AAA		100	2 years
Australia and New Zealand Banking Group Ltd	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Commonwealth Bank of Australia	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
National Australia Bank	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Westpac Banking Corporation	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Canada	AAA		Aaa		AAA		100	2 years
Bank of Nova Scotia	AA-	F1+	A1	P-1	A+	A-1	70	364 days
Royal Bank of Canada	AA	F1+	A1	P-1	AA-	A-1+	70	364 days
Toronto Dominion Bank	AA-	F1+	Aa2	P-1	AA-	A-1+	75	2 years
Finland	AA+		Aa1		AA+		100	2 years
OP Corporate Bank plc	-	-	Aa3	P-1	AA-	A-1+	75	2 years
Germany	AAA		Aaa		AAA		100	2 years
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+	100	2 years
NRW Bank	AAA	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Netherlands	AAA		Aaa		AAA		100	2 years
Bank Nederlandse Gemeenten	AA+	F1+	Aaa	P-1	AAA	A-1+	100	2 years
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)	AA-	F1+	Aa2	P-1	A+	A-1	70	364 days

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Nederlandse Waterschapsbank N.V	-	-	Aaa	P-1	AAA	A-1+	100	2 years
Singapore	AAA		Aaa		AAA		100	2 years
DBS Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Oversea Chinese Banking Corporation Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
United Overseas Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Sweden	AAA		Aaa		AAA		100	2 years
Nordea Bank AB	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Svenska Handelsbanken AB	AA	F1+	Aa2	P-1	AA-	A-1+	75	2 years
USA	AAA		Aaa		AA+		100	2 years
Bank of New York Mellon	AA	F1+	Aa1	P-1	AA-	A-1+	75	2 years
JP Morgan Chase Bank NA	AA-	F1+	Aa2	P-1	A+	A-1	70	364 days
Wells Fargo Bank NA	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years

Notes

Note 1

Nationalised / Part Nationalised

The counterparties in this section will have the UK Government's AA rating applied to them thus giving them a credit limit of £80m.

* The Clydesdale Bank (under the UK section) is owned by National Australia Bank

** These will be revisited and used only if they meet the minimum criteria (ratings of A- and above)

Any bank which is incorporated in the United Kingdom and controlled by the Prudential Regulation Authority (PRA) is classed as a UK bank for the purposes of the Approved Lending List.

Audit Progress Report

Sunderland City Council



December 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 Council and we take no responsibility to any Member or officer in their individual capacity or to any third party.

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Audit progress

Purpose of this report

The purpose of this paper is to provide the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

This paper also seeks to highlight key emerging national issues and developments which may be of interest to Members of the Audit and Governance Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

Finally, please note our website address www.mazars.co.uk which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

2016/17 audit

In our September Audit Progress Report, we confirmed that the main audit, including the Annual Audit Letter had been completed.

Certification of claims and returns

Work on the 2016/17 Housing Benefits Subsidy Claim is complete, and we certified the claim before the Department of Work and Pensions deadline of 30 November 2017.

This is now the only claim remaining part of the national arrangements managed by Public Sector Audit Appointments Ltd (PSAA), successor to the Audit Commission. As the Council's appointed auditor, we acted as an agent of PSAA. Each year auditors must report the results of our

certification work to those charged with governance. For 2016/17 the only claim or return within this regime was the Housing benefit subsidy return.

Housing benefits subsidy return 2016/17

In 2016/17 the prescribed tests for our Housing benefits work were set out in the HBCOUNT module and BEN01 Certification Instructions issued by PSAA. For the Housing benefit subsidy return, on completion of the specified work we issue a certificate. The certificate states whether the claim has been certified either: without qualification; without qualification following amendment by the Council; or with a qualification letter. Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

Sunderland City Council's 2016/17 Housing benefit subsidy return was submitted with a qualification letter (and without amendment) as set out in the following table.

Claim or return	Value of claim	Amended	Qualified
Housing benefit subsidy return 2016/17	£122.3m	The claim submitted was not amended.	We identified two relatively minor reporting issues. Both related to issues with the benefits software. Officers have raised these for resolution with the software supplier, Civica. Neither issue was significant in the context of the subsidy claim.

As was also the case in 2015/16, we did not make any recommendations or highlight any significant issues for improvement.

We welcome the assistance provided by officers with this work, which enables us to complete our certification work as efficiently and effectively as possible.

Fees

PSAA set an indicative fee for our work on the Council's Housing benefit subsidy return. We confirm that the final fee payable for this work as outlined in the following table below is in line with the indicative fee. The following fee was charged for the 2016/17 work.

Claim or return	2016/17 indicative fee	2016/17 final fee	2015/16 final fee
Housing benefit subsidy return 2016/17	£7,725 + VAT	£7,725 + VAT	£9,309 + VAT

Clarification of certification fees for the 2017/18 Audit

In April 2017 we wrote to the Council setting out the proposed scale fees for 2017/18 as published by PSAA. At that date, PSAA had not yet published indicative fees for the housing benefit certification work for 2017/18. PSAA have subsequently clarified the scale fee for 2017/18 as £9,309 + VAT, a return to the fee level set for 2015/16.

Non-code work

With regard to other non-Code work, we were commissioned by the Council to carry out work in relation to its Skills Funding Agency grant claim which was completed in May 2017 (fee of £3,550 + VAT).

In addition, we were commissioned to carry out work in relation to the Teachers' Pensions Return by the end of November 2017. The fee for this was £3,850 + VAT, an increase on the previous year as additional testing is now required by the Teachers Pensions Agency. This work was completed in November 2017.

Again, we appreciate the assistance provided by officers in enabling us to carry out our work efficiently and effectively.

2017/18 Audit

Our planning work in relation to the 2017/18 audit is now underway.

We plan to bring our Audit Strategy Memorandum for the 2017/18 audit to the March 2018 meeting of the Audit and Governance Committee.

North East Governance Workshops

We have decided to restructure our North East Governance Forum which has run successfully for the last couple of years. Rather than have two events a year and consider agenda items at the time of each meeting, we are going to run events when there are important topics to discuss.

Our first event under these new arrangements will be in January or February 2018 and will be on the new General Data Protection Regulations (GDPR). We will be sending out invitations for this event in December.

National publications and other updates

National publications and other updates	
1.	A short guide to Local Authorities, National Audit Office, October 2017
2.	Update on Auditor Appointments from 2018/19, Public Sector Audit Appointments, October 2017
3.	Care Quality Commission regulating health and social care, National Audit Office, October 2017
4.	PSAA is consulting on the fee scale for 2018/19 audits of opted-in bodies, December 2017

1. A short guide to Local Authorities, National Audit Office, October 2017

The NAO is publishing a suite of short guides for the new Parliament, one for each government department and a selection of cross-government issues. The guide gives an overview of how local government is funded, the pressures local authorities face, staffing, major recent developments and what to look out for in the main local authority services.

For example, the guide highlights 39% of the 2015/16 local authorities budgeted non-schools expenditure (£16.8 billion) was allocated to adult social care. The guide also highlights key challenges to accountability in local government.

<https://www.nao.org.uk/report/short-guide-to-local-authorities/>

2. Update on Auditor Appointments from 2018/19, Public Sector Audit Appointments, October 2017

The consultation on the proposed auditor appointments from 2018/19 closed on 22 September. PSAA received 442 responses from opted-in bodies confirming acceptance of the proposed appointment. A response was not received from 34 bodies and PSAA has written to those bodies to say that they have assumed they accept the firm proposed. PSAA received 7 representations to proposed appointments for reasons of joint working relevant to the auditor's responsibilities, independence issues with the proposed auditor, or concerns about service from the proposed firm. In these cases, PSAA are now consulting on alternative proposed appointments where appropriate.

<https://www.psaa.co.uk/2017/10/news-release-update-on-auditor-appointments-from-201819/>

3. Care Quality Commission regulating health and social care, National Audit Office, October 2017

The Care Quality Commission has improved as an organisation, but now needs to overcome some persistent issues with the timeliness of some of its regulation activities if it is to sustain further improvement, the National Audit Office (NAO) has found.

The report found that the Commission has completed its inspection and rating programme comprising more than 28,000 provider locations, which provides a benchmark of the quality of health and social care services. It has significantly reduced staff vacancies and is increasing its focus on cost savings. In addition, the Commission has improved how it measures its performance, and takes action to correct poor performance.

Inspection staff, however, highlighted concerns to the NAO about how well the broader information systems currently supported them. The NAO also found that Commission does not meet its timeliness targets for some of its regulation activities, such as registration and publication of inspection reports.

According to the NAO, although most providers and inspectors think that the Commission's judgements are fair, stakeholders have concerns about consistency. The Commission is seeking to address consistency issues through its quality assurance processes and training.

The Commission is taking more enforcement action when care falls below fundamental standards, and there is evidence that it influences providers to improve quality, with most of the providers rated either inadequate or requires improvement having improved their rating on re-inspection. The number of completed enforcement actions increased over 2015/16 and 2016/17, while the number of providers entering special measures remained steady. The Commission links the increase with a focus on improving its inspectors' skills and knowledge about enforcement. Poor recording, however, means the Commission cannot be assured that enforcement action is always completed.

The Commission made progress in implementing its new strategy during 2016/17 although it missed early milestones on rolling out use of resources assessments and designing its approach to the next phase of inspection.

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

4. PSAA is consulting on the fee scale for 2018/19 audits of opted-in bodies, December 2017

The consultation sets out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2018/19 financial statement at bodies that have opted into PSAA's national auditor appointment scheme.

PSAA propose that scale audit fees for 2018/19 should reduce by 23 per cent, compared to the fees applicable for 2017/18. This reduction is possible as a result of the favourable prices secured from audit firms in the recent audit services procurement. It follows a period from 2012/13 to 2017/18 in which scale fees reduced significantly by an aggregate of 55 per cent.

The proposed audit fee for Sunderland City Council for the 2018/19 audit is £104,546 (compared to £135,774 for the 2017/18 audit).

<https://www.psaa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/>

Contact details

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

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