

AUDIT AND GOVERNANCE COMMITTEE

16 October 2020

RISK AND ASSURANCE MAP UPDATE – 2020/2021

Report of the Assistant Director of Business and Property Services

1. Purpose of Report

- 1.1 To enable the Audit and Governance Committee to consider:
- the updated Risk and Assurance Map and supporting Strategic and Corporate Risk Profiles based on assurances gathered from a range of sources;
 - work undertaken by the audit, risk and assurance service during the year to date; and
 - the performance of Internal Audit.
- 1.2 The report covers work undertaken for the Council and Council owned companies.

2. Description of Decision

- 2.1 The Audit and Governance Committee are asked to note and consider the report.

3. Background/Introduction

- 3.1 In July 2020 the Committee agreed the Risk and Assurance Map and Strategic and Corporate Risk Profiles for 2020/21. Due to the Covid 19 pandemic this is the first update of the Risk and Assurance Map for 2020/21. Both the Strategic and Corporate Risk Profiles have been updated in light of Covid 19 and the Council's response. Chief Officers and relevant key officers have been consulted on the updates to both of the risk profiles. The 'X's in the assurance columns show where assurance is expected to be received from in the current financial year.

4. Risk and Assurance Map

- 4.1 The Risk and Assurance Map has been updated to reflect the changes to both the Strategic and Corporate Risk Profiles and these are described in more detail in paragraphs 4.2 and 4.3 below. The only other change to the Risk and Assurance Map is that the overall assurance level from Internal Audit work for Together for Children Sunderland Ltd has moved from Amber to Green due to a number of positive results from recent audits and follow up work.

Strategic Risk Areas

- 4.2 The top section of the Map relates to the strategic risks identified in the Strategic Risk Profile, attached at Appendix 2. All changes to the Strategic Risk Profile are

shown in red text for ease of reference. There are a number of updates to the description of risk causes, impacts and mitigating actions. An additional risk has been included at R09a to address the potential risk that the spread of the Covid 19 infection cannot be controlled across the city. The only change to the current risk score is in relation to R018 in relation to the Council's financial position to deliver the priorities in the City Plan. This has been increased to 12 (Red) from 8 (Amber) due to the uncertainty of the Council's future financial position and the impact of Covid 19 related expenditure / loss of income.

Corporate Risk Areas

- 4.3 The middle section of the Map shows the cumulative risk assessments and the assurance levels relating to the risks identified in the Corporate Risk Profile, attached at Appendix 3. All changes to the Corporate Risk Profile are again shown in red text for ease of reference. The main changes to the risk scores are as follows:
- R07 - *The level of services delivered by the council does not meet customer needs and/or expectations.* Has moved from 8 (Amber) to 12 (Red).
 - R22 - *Strategic financial plans are at risk due to all critical factors likely to affect the Council's finances moving forward, e.g. impacts of a no-deal BREXIT, changes to funding streams, changes in amounts of funding, inflation, pay awards, potential liabilities etc.* Has moved from 6 (Amber) to 12 (Red).
 - R31 - *Prosperity within the City fails to grow resulting in the expected level of income being uncollectable.* Has moved from 9 (Red) to 12 (Red).
 - R45 - *Lack of awareness of content of business continuity plans.* Has moved from 6 (Amber) to 4 (Green).

Council Owned Companies

- 4.4 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. As mentioned in paragraph 4.1 the Internal Audit opinion for Together for Children Sunderland Ltd has moved to Green.
- 4.5 As the Council has developed arrangements for a new internal housing service the audit work which would have been undertaken under Sunderland Homes Ltd has moved into the Council's audit plan. The Risk and Assurance team have been involved in the development of those arrangements.

Assurance from Internal Audit

- 4.6 The audits to be carried out this year and the detailed results of completed Internal Audit work is shown at Appendix 4, with the summary outcomes shown on the Map.
- 4.7 Appendix 4 shows all of the opinions, including those from previous years, which have been considered in determining the overall assurance level for the new Strategic and Corporate Risk Areas and Council Owned Companies. Those audits shown in grey are those in previous years where it became not appropriate to complete the audit at that time.
- 4.8 Due to the Covid 19 outbreak the Internal Audit service was temporarily stood down in order to support the response and is still undertaking some work specifically in relation to the outbreak. This year's audits were therefore started later and depending on the situation moving forward all of the planned audits may not be completed. This will be kept under review but work in relation to supporting the completion of the Council's Annual Governance Statement for the year will be prioritised.

Assurance from Risk and Assurance Team

- 4.9 Areas that the Risk and Assurance Team are currently involved in are shown below. Much of their work is ongoing over a period of time, however, where ongoing assurance can be provided from their work this is shown on the Map. Assurance work within the last quarter has included:
- Risk management work in relation to the Covid 19 pandemic.
 - Risk Management work in relation to the potential impacts of BREXIT.
 - Major capital schemes such as the delivery stage of the SSTC Phase 3, the International Advanced Manufacturing Park, and the Housing Infrastructure Funding.
 - Corporate projects in relation to SAP self-service arrangements for HR and procurement.
 - Move to the new City Hall, including construction and new ways of working.
 - Risks in relation to information governance and security.
 - National Fraud Initiative data matching exercise.
 - Arrangements in relation to anti-money laundering.
 - Risk management arrangements in relation to the North East Combined Authority and the North East Joint Transport Committee.

Assurance from others within the Council

- 4.10 Assurance provided from others within the Council is shown in the Risk and Assurance Map.

Assurance from Management

- 4.11 Arrangements are in place to obtain assurance from senior managers for all service areas within the Council through an annual governance questionnaire which was undertaken at the end of 2019/20.

Assurance from External Sources

- 4.12 The Map includes assurance from relevant external sources. There are no changes since the last report.

Overall

- 4.13 The overall assurance levels are either green or amber, with the exception of the Red ratings relating to Children's Safeguarding.
- 4.14 The Risk and Assurance Map, Strategic and Corporate Risk Profiles were recently considered by the Chief Officer Group 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 all KPI's with the exception of the implementation rate for medium risk agreed actions for schools which currently sits at 82% against a target of 90%.

6. Conclusion

- 6.1 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. Recommendation

- 7.1 The Audit and Governance Committee are asked to note and consider the report.