

AUDIT AND GOVERNANCE COMMITTEE
Friday 15 December 2017

Present:

Mr G N Cook

Councillor O'Neil, Scullion, Speding, G Walker, Wood 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), Mark Kirkham (Mazars), Gavin Barker (Mazars) and Gillian Kelly (Principal Governance Services Officer).

Declarations of Interest

There were no declarations of interest.

Apologies for Absence

There were no apologies for absence.

Minutes

13. RESOLVED that the minutes of the meeting of the Committee held on 29 September 2017 be confirmed as a correct record.

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 highlighted that the Strategic Risk Areas were all showing green or amber in the Cumulative Assurance Position column and this demonstrated that mitigating actions were progressing.

The Strategic Risk Area of 'Protecting Vulnerable Adults' was showing a red assurance level from Internal Audit and this was as a result of an audit of Adult Social Care Personal Budgets which had found that there was no assurance that the systems of internal control were adequate. Jim Usher, Head of Adult Social Care had been invited to give an update to the Committee following the presentation of the report.

In relation to the Corporate Risk Areas, the Cumulative Assurance Position for Cyber Security was showing as limited assurance. This was clearly an important area and an audit had started and was ongoing. It was hoped that the results of this audit would be available for the next update of the Risk and Assurance Map and that this would lead to an improved position.

The Internal Audit column was showing limited assurance in relation to Commissioning and this was as a result of some audit work done on a substance misuse contract. A new piece of work was being undertaken and the audit position would be updated.

The Internal Audit opinion on Information Governance had gone from red to amber so there was an improvement in that area. Work was also being carried out in preparation for the General Data Protection Regulation (GDPR) coming into force in May 2018.

The majority of the red areas showing in the External Assurance column were related to the Ofsted inspection of Children's Safeguarding, however there was also one opinion which was related to ICT and business recovery. There had been a lot of investment in this area and all tests had been successful so far. A full test was scheduled to take place in February, until that time the assurance position would remain red.

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.

The Head of Assurance, Procurement and Performance Management highlighted that the Chief Officer Group had reviewed the Risk and Assurance Map and were aware of the issues. It was noted that all of the Key Performance Indicators were on track apart from the percentage of medium risk recommendations which had been implemented in schools which stood at 87% against a target of 90%. This was not an issue of concern for the service area.

Jim Usher was welcomed to the meeting and advised that the audit of Adult Social Care Personal Budgets had reviewed the user access to the Adults Information System (AIS) which was widely used by other areas of the Council. Training was ongoing for all newly recruited staff, however the staff member responsible had been seconded to another project. There were 165 new users of the system and it needed to be ensured that all were accessing training. Access rights to the system would only be approved by the Head of Service and the delegation policy for access had been firmed up.

The audit had also examined the assessment of need and resource packages and the Committee were advised that the resource allocation system had been introduced seven years ago which awarded points which were converted to pounds. The system was designed to be recalibrated after every 250 cases and this had happened for the first three years but not for the last four. Liquid Logic was due to become live for adults on 29 April 2018 and this would operate a common resource allocation scheme.

The audit report had referred to non-commissioned services and it was believed that these were in relation to clients who had chosen to continue with their existing care after the introduction of direct payments, and costs had remained the same. This was being investigated.

The Care Act 2014 had made it clear that people should continue to access personal budgets as a direct payment, however it could take time for the scheme to be up and running. The Act said that this should be reviewed in a six month period and this needed to be reinforced.

With regard to performance management and quality assurance, it had been recommended that file audits were undertaken. These were being done by service managers and would also be taken to the Chief Executive's performance clinic.

The service had been reporting a number of overdue reviews which were not actually overdue, it was a case of getting data quality improved. There had been a number of recommendations in relation to collection and recovery of charges and it was acknowledged that when care and support arrangements were reviewed, it was necessary to carry out a financial validation. The Direct Payments support company had offered a payroll service and third party supported account but this was being brought back in house during the next year.

The audit report had been in depth and far reaching and Jim stated that the service was making progress on recommendations.

Councillor Walker queried if the required Liquid Logic training would have been carried out in readiness for April and the Head of Adult Social Care stated that there was a comprehensive training package in place. All staff would complete a 'My Learning' module, in which they needed to achieve 80% in order to pass, then face to face training would be rolled out in January. There were also 'functional specialists' for each team.

Councillor O'Neil asked how the new resource allocation system compared to the old and she was advised that Liquid Logic would re-calibrate automatically. Discussions had taken place with other local authorities who used this system but it was highlighted that this only provided an indicative allocation.

Councillor Speding asked about the difference in costs and it was explained that the Direct Payments rate of £9.60 an hour had been agreed two years ago. Clients could employ people on whatever wage they chose and commissioned services had an agreed rate of £13.25. Councillor Speding asked where the liability for this would lie and it was confirmed that ultimately this rested with the local authority.

Mr Knowles noted that the audit had indicated that assurance could not be obtained about the systems of internal control and asked if the information provided by the Head of Adult Social Care had provided that assurance. The Head of Assurance, Procurement and Project Management stated that discussions had started on the timescales for recommendations and the Head of Adult Social Care had engaged positively. Fortnightly meetings would take place until the recommendations were implemented and there were no concerns that this would not happen. An action plan had to be agreed by 12 January 2018.

Having considered the report, the Committee: -

14. RESOLVED that the update Risk and Assurance Map 2017/2018 and the updated Strategic Risk Profile be noted.

Risk and Assurance Map Consultation 2018/2019

The Head of Assurance, Procurement and Performance Management submitted a report consulting the Committee on the development of the plans of work for the Internal Audit and Risk and Assurance teams for the forthcoming year.

The allocation of resources would continue to be flexible given the level of changes which were occurring across the Council but a number of areas were expected to be a priority for 2018/2019 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.

The Chair noted the areas of work proposed and suggested that as things happened at scrutiny and other committees during the year, these could be brought forward into the plans of work.

15. RESOLVED that the priority areas for the plans of work for the Internal Audit and Risk and Assurance teams be noted.

Treasury Management 2017/2018 – Third Quarterly Review

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

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 continued to be volatile and had dropped following the rise in the Bank of England Base Rate. The Council had sought to take advantage of these low rates and had borrowed £10m to support the Capital Programme. It was noted that there was no expectation of a further interest rate increase but it was expected that the Base Rate would reach 1% by 2020.

The Council's interest rate on borrowing was very low, currently 3.26%, 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 0.61% compared with a benchmark of 0.14%.

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.

16. RESOLVED that: -

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

External Auditor Progress Report

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

Gavin Barker advised that following the conclusion of the 2016/2017 audit, the focus of work had been the Housing Benefit Subsidy Claim and this had been certified before the deadline of 30 November 2017. There had been no amendments, just two minor reporting issues. Gavin stated that he valued the support of officers in assisting with their work and confirmed that the fee of £7,725 was in line with the set fee. The scale fee for 2017/2018 had been set at £9,309 by Public Sector Audit Appointments Limited.

Mazars had been commissioned to carry out work in relation to the Teachers' Pension Return and the fee for this had been £3,850, an increase on the previous year as additional testing was required.

Work had now begun on planning for the 2017/2018 audit and the Audit Strategy Memorandum would be brought to the Committee in March 2018.

It had been decided to restructure the North East Governance Forum which had been running for the last few years. This would now take the form of event to discuss a single topic of importance and it was planned to hold an event in January or February to look at the new General Data Protection Regulations.

The report highlighted the publication of the following documents: -

- A short guide to Local Authorities, National Audit Office, October 2017
- Update on Auditor Appointments from 2018/2019, Public Sector Audit Appointments, October 2017
- Care Quality Commission regulating health and social care, National Audit Office, October 2017
- PSAA is consulting on the fee scale for 2018/2019 audits of opted-in bodies, December 2017

Gavin advised that the proposed audit fee for Sunderland for the 2018/2019 audit was £104,546, compared to £135,774 for the 2017/2018 audit. This represented a reduction as a result of the recent procurement exercise.

Councillor Speding asked if it was possible to get an executive summary of the short guide to Local Authorities and the Executive Director of Corporate Services advised that this was usually distributed through LGIU but he would look at how that information could be extracted.

Accordingly the Committee: -

17. RESOLVED that the Audit Progress Report be noted.

(Signed) G N COOK
Chair