

REPORT TITLE: INTERNAL AUDIT PROGRESS REPORT 2016/17

AUDIT COMMITTEE

24 NOVEMBER 2016

PORTFOLIO HOLDER: Cllr STEPHEN GODFREY

REPORT OF THE HEAD OF THE SOUTHERN INTERNAL AUDIT PARTNERSHIP

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WARD(S): ALL

PURPOSE

To provide the Audit Committee with an overview of internal audit activity against assurance work completed in accordance with the approved plan and to provide an overview of the status of 'live' reports.

RECOMMENDATIONS:

1. For the Audit Committee to note the Internal Audit Progress Report 2016-2017 attached as Appendix 1.

IMPLICATIONS:

1 COMMUNITY STRATEGY OUTCOME

- 1.1 Internal audit plays a vital role in helping the organisation accomplish its objectives, strategies and change plans by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2 FINANCIAL IMPLICATIONS

- 2.1 The Internal Audit Plan is comprised of 453 resource days and the cost for 2016/17 is £132,729.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None identified.

4 WORKFORCE IMPLICATIONS

- 4.1 None identified.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None identified.

6 CONSULTATION AND EQUALITY IMPACT ASSESSMENT

- 6.1 None completed: the report is an overview of internal audit activity against assurance work completed in accordance with the approved plan, with no consultation / EIA identified.

7 RISK MANAGEMENT

- 7.1 The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

- 7.2 The audit needs assessment includes a range of factors. For example:-

- Materiality – the relative significance of the area concerned, affected by the level of income/expenditure, external consequences etc;
- Organisational impact/Corporate importance – the extent to which the organisation depends upon the efficient and effective operation of the system to deliver corporate objectives;
- Impact of management and staff – management concerns, identified problem areas, the extent of staff or system changes etc.;
- Vulnerability – the extent to which the system is vulnerable to breakdown, loss or error, corruption etc.;

- Audit/Inspection - length of time since the last review and the results of previous audits;
- Other sources of assurance – the extent to which reliance can be placed upon other external inspections.

7.3 The Southern Internal Audit Partnership follow a risk based audit approach in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.

8 SUPPORTING INFORMATION:

8.1 Under the Accounts and Audit (England) Regulations 2015, the Council must:

'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

8.2 In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:

'Communications on the internal audit activity's performance relative to its plan.'

9 OTHER OPTIONS CONSIDERED AND REJECTED

9.1 None: the report is an overview of internal audit activity against assurance work completed in accordance with the approved plan and to provide an overview of the status of 'live' reports.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD149 - Internal Audit Plan 2016-17 – 10 March 2016

AUD161 - Annual Internal Audit Report and Opinion 2015-16 – 28 June 2016

AUD162 - Internal Audit Progress Report 2015-16 – 28 June 2016

AUD165 - Internal Audit Progress Report 2016-17 – 29 September 2016

Other Background Documents:-

None.

APPENDICES:

Appendix 1 – Internal Audit progress report 2016-2017

Internal Audit Progress Report

November 2016

Winchester City Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2016].

The role of internal audit is best summarised through its definition within the Standards, as an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

2. Purpose of report

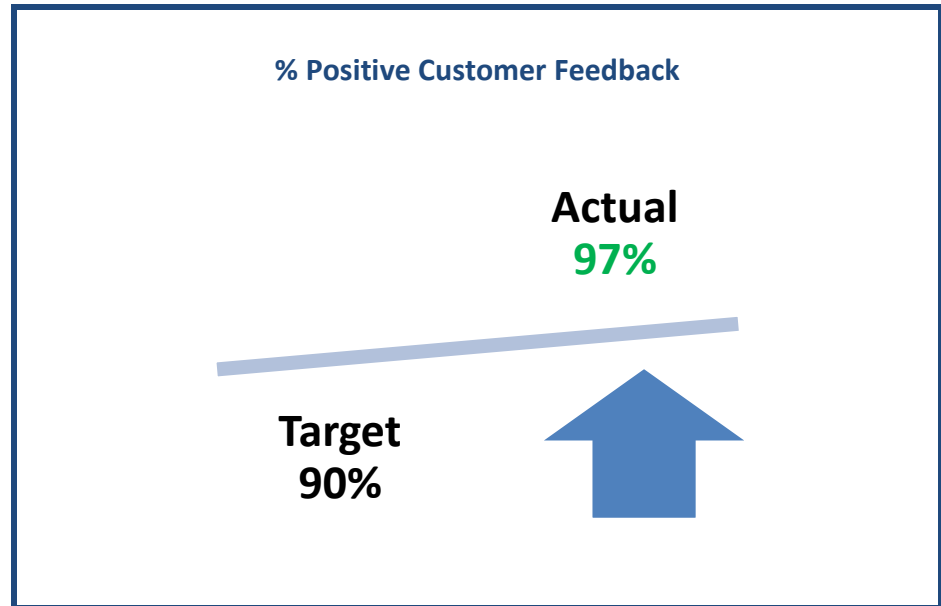
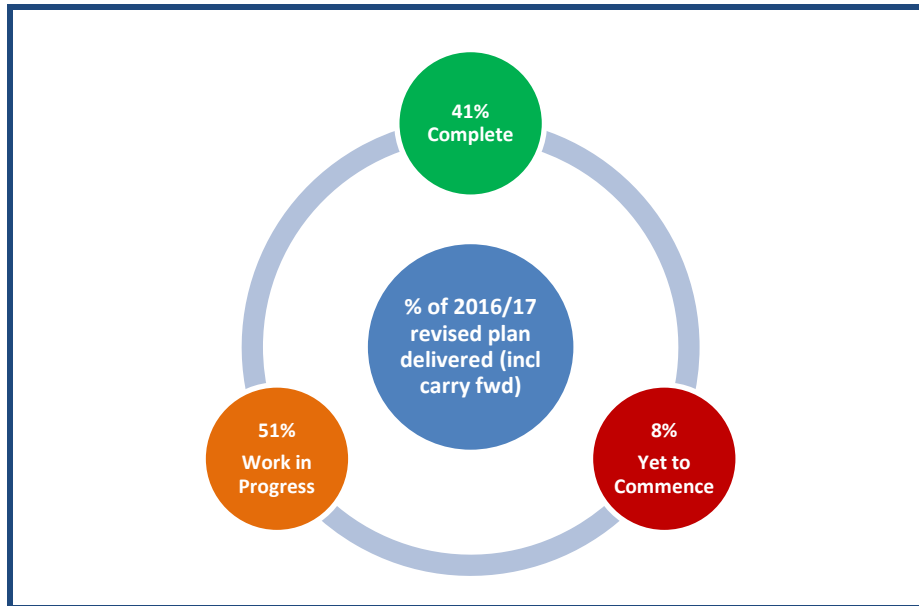
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards / Local Government Application Note



An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

*'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to **all** of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).*

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Covalent is currently showing 5 outstanding actions (unchanged from the position reported 29 September 2016 to Audit Committee) relating to audit reports issued prior to 2015. Management continue to review these actions to ensure Covalent has been appropriately updated or establish continued relevance.								
Community Infrastructure Levy	25/03/15	CD	Adequate	11 (2)	0 (0)	0 (0)	11 (2)	0 (0)
Procurement	01/06/15	HoLDS	Adequate	13 (1)	0 (0)	0 (0)	13 (1)	0 (0)
Asset Management 2014/15	30/07/15	CX	Limited	11 (0)	0 (0)	1 (0)	7 (0)	3 (0)
Orchard Application Review	11/08/15	CD	Adequate	5 (3)	0 (0)	0 (0)	5 (3)	0 (0)
Environmental Services Contract (joint with EHDC)	26/08/15	CD	Adequate	5 (0)	0 (0)	0 (0)	3 (0)	2 (0)
Income Collection – Licensing	01/09/15	CD	Limited	9 (9)	0 (0)	0 (0)	3 (3)	6 (6)
Housing Rents and Debt Management	05/10/15	CD	Adequate	8 (0)	0 (0)	0 (0)	6 (0)	2 (0)
Rent and Service Charges	05/10/15	CD	Substantial	1 (0)	0 (0)	0 (0)	1 (0)	0 (0)
Income Collection – Residential Parking Permits	04/11/15	CD	Limited	6 (0)	0 (0)	0 (0)	4 (0)	2 (0)
Training and Development	18/02/16	CX	Limited	11 (4)	0 (0)	0 (0)	9 (4)	2 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Business Continuity Planning	11/03/16	CD	Limited	14 (4)	0 (0)	0 (0)	14 (4)	0 (0)
Main Accounting (Reconciliations)	06/04/16	HoF	Adequate	11 (0)	0 (0)	0 (0)	10 (0)	1 (0)
Risk Management	27/04/16	CX	Adequate	6 (4)	0 (0)	0 (0)	6 (4)	0 (0)
ICT shared service, strategy and assurance mapping	09/06/16	CDPS	Adequate	4 (0)	0 (0)	0 (0)	4 (0)	0 (0)
Hampshire Cultural Trust	24/05/16	CD	Limited	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Fieldfare LEADER Programme 2014-2021 Governance Arrangements	08/08/16	CD	Limited	24 (15)	0 (0)	15 (8)	3 (3)	6 (4)
Procurement and contract management – Street Markets	18/08/16	CD	Limited	7 (4)	0 (0)	3 (1)	0 (0)	4 (3)
Procurement and contract management – Housing Cleaning	17/08/16	CD	Limited	9 (1)	0 (0)	2 (1)	7 (0)	0 (0)
Landscape	26/07/16	CD	Limited	8 (6)	0 (0)	5 (3)	1 (1)	2 (1)
Applications management	14/09/16	CDPS	Adequate	4 (0)	0 (0)	0 (0)	4 (0)	0 (0)
Termination Payments and Exit Packages	19/09/16	CD	Adequate	2 (2)	0 (0)	2 (2)	0 (0)	0 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Guildhall	06/10/16	CD	Adequate	13 (7)	0 (0)	0 (0)	13 (7)	0 (0)
Ethical Governance	25/10/16	HoLDS	Adequate	12 (1)	0 (0)	12 (1)	0 (0)	0 (0)
Environmental Health	04/11/16	CD	Adequate	10 (9)	0 (0)	3 (2)	7 (7)	0 (0)
Capital	10/11/16	HoF	Adequate	2 (0)	0 (0)	2 (0)	0 (0)	0 (0)

Audit Sponsor	
Corporate Director	CD
Chief Executive	CX
Head of Finance	HoF
Corporate Director – Professional Services	CDPS
Head of Legal and Democratic Services	HoLDS

Update on overdue 'high priority' actions

As at 14 November, there are 14 high priority overdue actions, as shown in the table on pages 6-8, and these relate to Income Collection – Licensing, Fieldfare LEADER Programme 2014-2021 Governance Arrangements, Procurement and Contract Management – Street Markets and Landscape.

The following paragraphs provide brief details of the required management actions and an explanation for the delay in completion.

Community Infrastructure Levy

All actions arising from this audit have now been completed.

Income Collection – Licensing

There are six overdue high priority actions relating this audit, concentrating on an assessment of the time taken to process the different licences administered by the Team, to review the fees and charges and reconciliations of income and payments.

The completion of the action to assess the time taken to process the different licences has been deferred due to the team undergoing a Vanguard Systems Thinking Review. The outcome of the review is expected to have a bearing upon the time spent administering all taxi licences, which will in turn impact on the licence fees. It is expected that the Vanguard Review will be completed by the end of the calendar year after which a time recording study will be undertaken, from which the reviewed fees will be set in time for the 2017/18 financial year.

The Licensing Team is currently working with staff in the IT Team to resolve a number of issues around the extracting and exporting of data from the Financials System, through which all payments are registered and Idox Uniform the data management system on which all licenses and their respective payments are recorded. The Licensing Team have been working with colleagues in the IT Team on using Business Objects, a data system reporting tool to extract and reconcile the corresponding data sets from Financials and Idox Uniform and in doing so automatically identify any anomalies. This has taken longer than expected, but they have now completed the development of the Business Object Reports which are successfully reconciling and identifying these anomalies. There are some outstanding minor tweaks to enable a

smoother and more 'user friendly' reconciliation process and they are scheduled to "meet the auditors next week to demonstrate full compliance with the identified objectives."

Fieldfare LEADER Programme 2014-2021 Governance Arrangements (unchanged from previous report)

The Rural Economy and LEADER Manager is working with the Fieldfare Local Action Group (LAG) and the Principal Management Accountant to set a budget for the year. The delays in doing so have been caused by frequent changes in the spending needs of the LAG, based on the changing expectations of the Rural Payments Agency (RPA) as to the LAG's activities. For example, a recruitment process for a second member of the team took place in the early part of the summer, but was cancelled before interview stage as the RPA informed LAGs that no new funding could be committed beyond the Autumn Statement in 2016.

In addition, the Principal Management Accountant is leading the process of reclaiming funds for the delivery of LEADER, from the RPA. This has been successful to date, and will be tested again when the next claim for funds is made in the Autumn. Information required to complete this has, so far, been adequate.

Procurement and Contract Management – Street Markets (unchanged from previous report)

The Management Contract will be tendered for the period commencing 1st May 2017 in accordance with the Public Contract Regulations. The Agreement will be for a term of 7 years with break clauses to allow for the prospect of the need to terminate or modify the agreement in the light of any proposals which may come forward for the redevelopment of the Central Winchester Area.

The Assistant Director (Estates and Regeneration) has met with the Head of Legal and Democratic Services to finalise the form of the Management Agreement for this year.

Landscape

There are two overdue actions relating to this audit and both relate to the training of additional staff to provide resilience should an officer be away for a prolonged time. The training is underway and will be completed early in 2017.

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There are no new reports published concluding with a ‘Limited’ or ‘No’ assurance opinion.

Issues previously reported

Asset Management		
<p>Directorate Sponsor: Chief Executive</p> <p>Key Contacts: Kevin Warren</p> <p>Final Report Issued: 30/07/15</p>	<p>Assurance opinion:</p> <div style="text-align: center;"> </div>	<p>Management Actions:</p> <div style="text-align: center;"> </div>
<p>Summary of key observations:</p> <p>There are fragmented arrangements for managing the corporate property portfolio which has been further impacted by recent staff turnover. The Asset Management Plan presented in 2011 indicated there would be formal updates on progress and an overview of the corporate property portfolio, e.g. the status of the backlog in repairs. Other than an update in 2013, (and a report to Cabinet in March 2015 since the audit fieldwork had been completed), there has been little in the way of formal reporting to senior management and Members.</p> <p>Other than for major projects, we were unable to identify documented prioritised programmes and plans for maintaining the corporate property portfolio. The Asset Management Plan 2011 contains a high level expression of intent to maintain properties and the overall estimated funding. Provision for repairs and maintenance are provided for in the budget. Although detailed property condition surveys were seen at the time of the audit, we were unable to see an over-arching planned programme for maintenance activities, and concluded that largely, the budget is a driving factor in the maintenance work that can be afforded. We are assured that safety aspects are dealt with when they are identified. An inspection programme was produced after the audit fieldwork was completed, and it is the role of a post (currently</p>		

vacant) to bring together the condition surveys and the inspection programme.

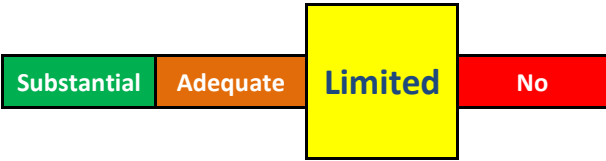
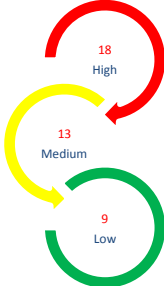
The Estates filing system for maintaining the corporate property records is highly reliant on officers' knowledge, and it is difficult for new officers to find the information. There is a project underway to rationalise the filing system, but at the time of the audit, we are unable to provide assurances that there are adequate records covering the repair and maintenance histories for each property.

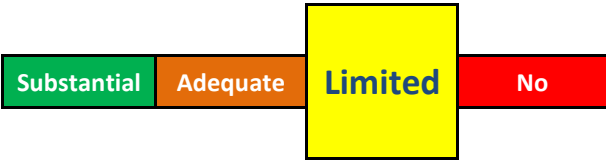
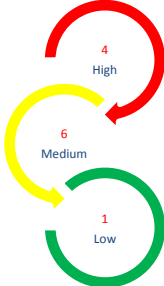
There is a central log for repairs, and improvements in the quality of recording information is evident. However, there is a high reliance on individual officers' knowledge regarding repairs and their progress.

Current position – No further progress has been made since the previous progress report, with seven cleared, one pending and three overdue actions. The updated Asset Management Plan is due to be presented for approval to Cabinet on 7 December and will resolve a number of the actions.

Officer update - A significant number of individual reports have been presented to Cabinet in the past that include further details of the issues identified in the Asset Management Plan (AMP). On top of the reports there have been numerous Portfolio Holder Decision Notices that sought approval to undertake works to properties identified in the Asset Management Plan. Notably works to the Guildhall Toilets and Friarsgate Multi Storey Car Park. The work programme is directly driven by the AMP and the reports demonstrate the delivery of the key objectives in the AMP.

The AMP is currently being renewed and the new plan includes as before a detailed schedule of works it is aimed to deal with in the plan period. The new plan prioritises the works and lists a schedule for ongoing maintenance surveys. In response to the issues raised in the audit, the Uniform system is being developed to accommodate a detailed record of the work undertaken to and surveys of individual properties.

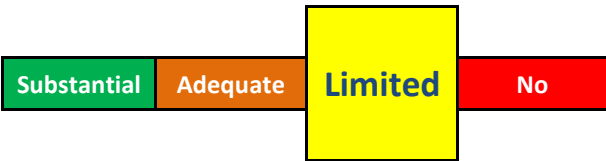
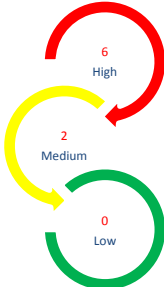
Income Collection		
<p>Directorate Sponsor: Chief Executive, Corporate Director</p> <p>Key Contacts: Marriam Baxendale, Kevin Warren, David Ingram, Richard Hein</p> <p>Final Report Issued: 4 November 2015</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>A thematic review of income collection across five areas of the organisation (Cemeteries, Markets, Animal Licensing, Licensing and Residential Parking Permits) was undertaken. Individual reports were issued to each service area. This high level summary provides an overview of the most pertinent observations emanating from these reviews</p> <p>The review highlighted occasions where local procedures were incomplete or absent, and charging policies for fees had not been updated for a number of years. There was no record of the amount of income due for most income types, against which a reconciliation of the income collected and recorded could be completed. Additionally there was a lack of segregation of duties across the collection, banking and recording of income.</p> <p>There are no reconciliations to Civica Financials for most income types, to ensure all income is correctly recorded. Testing identified discrepancies in the amounts recorded with some income being paid to the wrong cost centres, some on-line payments not being posted to cost centres, and the absence of an audit trail for some transactions recorded on Civica Financials.</p> <p>Debt reports are not received or regularly monitored for invoices raised by some (two) departments.</p> <p><i>Current position – Progress has been made since the last progress report with the implementation of agreed management actions. The actions are cleared for Markets, Animal Licensing and Cemeteries. For the remaining 15 actions (Licensing & Residential Parking Permits), seven actions have been cleared, and eight are overdue, including six high priority actions. The reasons for the delay are provided on page 10.</i></p>		

Training and development		
<p>Directorate Sponsor: Chief Executive Key Contacts: Alison Gavin</p> <p>Final Report Issued: 18/02/16</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>There are Appraisal Guidelines and a Training Policy in place to support the appraisal process and provisions for training. However, further review of these documents found that they are dated April 2012 and November 2002 respectively. Discussions also highlighted that new managers may not have received sufficient training and guidance to ensure they are completing appraisals correctly.</p> <p>Through reports obtained from Selima relating to the completion of appraisals, it was identified that at the time of the report (June 2015) appraisals remained outstanding for a high proportion of staff (18%). This had been reported to PMT, CMT, and Personnel Committee. Contact is made with department heads to discuss potential training needs if appraisals have not been completed.</p> <p>Our audit included a review of the training portal – Aspire, provided via a partnership arrangement with Eastleigh Borough Council. Through staff survey results and discussions with staff we found that the portal is not being accessed regularly and incorporated within day to day business. Results also found that staff feel that there isn't always enough information and training available through the portal.</p> <p>Our review of the portal found that work is currently being carried out by the E-Learning and Development Officer to review and update the information available. Work is also being undertaken to ensure that the system is more user-friendly by streamlining applications to reduce keystrokes and improve navigation.</p>		

Current position – Progress has been made since the last progress report with the implementation of agreed management actions. Of the 11 actions identified, nine actions have been completed and two are overdue.

Officer update - One of the two overdue actions relates to a review of the revised Learning and Development policy that will be included in the updated Workforce Development Strategy which has been deferred until after the new Chief Executive starts early in 2017.

The second action refers to a review of the appraisal guidelines for managers and staff. Following feedback from staff, a review is to be undertaken of the Selima software used to manage staff appraisals and therefore defer issuing appraisal guidelines until after a decision has been taken on the system that will be used in the future.

Landscape		
<p>Directorate Sponsor: Corporate Director Key Contacts: Sue Croker, Head of Landscape and Open Spaces, Julie Pinnock, Head of Development Management Final Report Issued: 26/07/16</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>It is understood that the responsibility for monitoring and chasing S106 contributions is the role of the Enforcement Team however the responsibilities for smaller contribution amounts were unclear. As such it was not possible to evidence that income is appropriately chased, received and accounted for. We understand that this is now being acted upon.</p> <p>Information recorded in Obligation Tracker is not consistently accurate and some contribution amounts showing as due were either duplicate</p>		

amounts or had not been updated to reflect changes to the Legal Agreement. As Obligation Tracker is the only tool currently used to monitor S106 contributions there is a risk that incomplete or inaccurate information could lead to insufficient monitoring of payments.

Monthly reports detailing the levels of Open Space Contributions received are generated by Finance and sent to the Landscapes Officer to monitor its spend. It was noted however that these reports do not include key information such as expiry dates for funding or dates when funding can be spent. Subsequently there are a small number of historic overspends where development projects were cancelled and funding that had already been spent had to be returned.

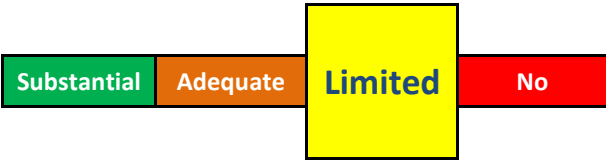
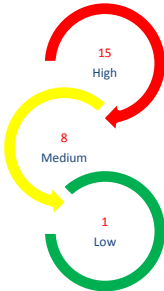
Audit testing was not able to evidence that there are adequate procedures for chasing, monitoring and allocating Open Space funding in the event that the Landscape Officer is absent from work.

Current position – Progress has been made since the last progress report with the implementation of agreed management actions. Of the reported actions, one has been completed, five are pending and two are overdue (of which one is high priority).

Officer update - Enforcement Officers are now in post and training has been booked to ensure income is appropriately chased, received and accounted for. The Council is moving from Obligation Tracker to a new software system Exacom (Idox) in November 2016. We are on target for achieving this by the deadline. As part of the migration process the data will be cleansed to ensure only accurate data is entered into the new system.

Monthly reports are being received by the Landscape and Open Spaces Team and monitored. We concur that these reports do not include information such as expiry dates for funding, as this information is not considered necessary when managing the budgets. An end date for all expenditure cannot be set at this time, although this may become possible once the South Downs National Park move from Section 106 contributions to Community Infrastructure Levy (CIL). However, the Landscape Team is working to spend the budgets as soon as possible where appropriate.

The small number of historic overspends relating to funding being received are when the developer decided not to go ahead with the project or the project was refused and a refund was requested. However as section 106 funding is declining in respect of landscape due to the introduction of the Community Infrastructure Levy, this is not considered to be of major concern going forward and will be monitored by the Landscape officer. The Landscape Technician has now been trained to provide cover for the Landscape Officer in their absence.

Fieldfare LEADER Programme 2014-2021 – governance arrangements		
<p>Directorate Sponsor: Corporate Director Key Contacts: Kate Cloud, Head of Economy and Arts. Ken Brown, Rural Economy and LEADER Programme Manager</p> <p>Final Report Issued: 08/08/16</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>The Cabinet report (CAB2622) approved WCC to act as the accountable body for Fieldfare, but little evidence has been seen that a full assessment of the implications for WCC undertaking this role was made, including the impact to existing operations. In addition, the agreement signed with the Rural Payments Agency (RPA) has expired. Most of the governance arrangements in place are mandatory and determined by the RPA, but some of the elements are specified by the RPA, but WCC have discretion over the design. These are the areas that could be improved to provide more of a robust arrangement for WCC as the accountable body, particularly in the appointment of Local Action Group (LAG) members and information security.</p> <p>In respect of LAG members, not all nomination forms and their register of interest declarations have been seen and no minutes were available of the LAG that showed the formal approval of their appointment.</p> <p>Concerns have been raised over information security, in the use of e-mail and how information is transmitted from WCC and LAG members, and the physical storage of the personal data. Due to the volume and length of time that personal data is required to be held for RPA's purposes, this exceeds WCC's corporate policy and could be questioned in its compliance to the Data Protection principles.</p> <p><i>Current position – Of the reported actions, 3 have been completed, 15 are pending and six are overdue (of which four are high priority).</i></p>		

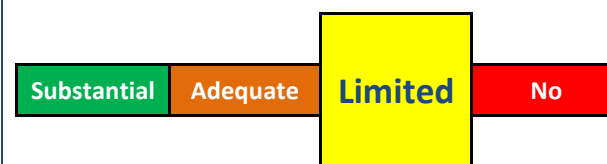
Officer update - The LAG held their AGM in January 2016 at which the new LAG members were appointed. Formal registers of interest have been collected and will continue to be collected as LAG members change over the life of the programme. Information is kept securely as per the RPA's dictated processes so far as possible. The Head of IMT is in regular conversation with the Rural Economy and LEADER Programme manager to find new, increasingly secure ways to effectively transfer information with the LAG. Other actions relate to the Council making the most of the opportunities the LAG presents as an expert panel through corporate planning processes etc. This has, and will continue to be, embedded in Portfolio Holder plans, Service plans and other such processes.

Procurement and contract management - Housing cleaning

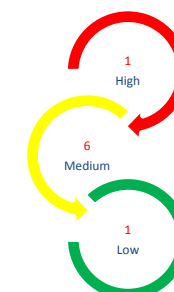
Directorate Sponsor: Corporate Director
Key Contacts: Fiona Churcher, Estate Services Manager, Keith Miles, Planned Maintenance Manager

Final Report Issued: 17/08/16

Assurance opinion:



Management Actions:



Summary of key observations:

A contract is in place however the contract template used was a JCT Measured Term Contract (2011) template – a template normally used for capital projects, rather than service type contracts and therefore excluded terms and conditions expected for this contract type. Additionally the contract does not appear on the contract register.

The PQQ tender document stipulated the need for the contractor to undertake DBS checks on its staff however there is currently no assurance check performed by Housing to confirm that DBS checks are being undertaken. There is therefore a potential safeguarding issue to recipients of the service.

In terms of the business relationship with the contractor, there are regular contract liaison meetings occurring, although we were advised that management information is not provided in advance of meetings, and evidence has not been seen that operational risks relating to the contract are discussed. Although the contract does not stipulate performance targets, the contract manager produces management information herself, to identify gaps in service delivery and this is discussed with the contractor at contract liaison meetings. We found that staff involved in managing the day-to-day operation of the contract, do so by relying on their experience as they have not received any specific contract management training.

Current position – No further progress has been made since the previous progress report with the implementation of agreed management actions. Of the nine reported actions, seven are complete and two are pending.

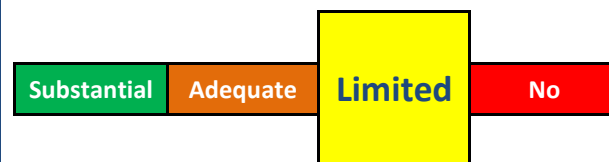
Officer update - The contract continues to perform well with positive customer feedback. Estates Housing Officers regularly report on issues or where scheduled cleaning is overdue, so these can be addressed promptly. Key performance indicators have since been clarified and are reviewed at least bi-monthly at formal contract meetings. It has been confirmed that current and up to date DBS checks are in place for all contract staff and the contract has now been added to the contract register.

Procurement and contract management - Street Markets

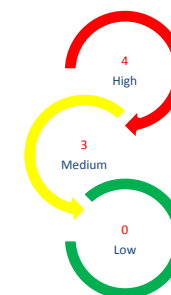
Directorate Sponsor: Corporate Director
Key Contacts: Kevin Warren, Assistant Director Estates and Regeneration, Sue Grant, Senior Estates Surveyor, Steve Goodwin, Estates Officer

Final Report Issued: 18/08/16

Assurance opinion:



Management Actions:



Summary of key observations:

There was no competitive tendering of the Street Markets contract despite an aggregate contract value in excess of EU procurement thresholds and was therefore a breach of Public Procurement Regulations. The absence of competition in the 'award' process is also non-compliant with WCC's Contract Procedure Rules. The subsequent Agreement, put in place with the contractor, was based on a one year arrangement, from 01.05.2012 until 30.04.2013. However, the agreement has been subsequently renewed every year, despite no appropriately approved Exemption being granted. At the close of audit meeting, Internal Audit was advised that a Cabinet report has been drafted, seeking Executive approval for a further one year extension under the same arrangement, in order to plan a future competitive [tender] procurement.

We found that staff involved in managing the day-to-day operation of the contract, do so by relying on their experience as they have not received any specific contract management training. There is regular contractor liaison, but the benefits from this are limited, as no performance targets are stated in the agreement.

Current position – Of the seven reported actions, three are pending and four are overdue (of which three are high priority).

Officer Update - The Management Contract will be tendered for the period commencing 1st May 2017 in accordance with the Public Contract Regulations. The Agreement will be for a term of 7 years with break clauses to allow for the prospect of the need to terminate or modify the agreement in the light of any proposals which may come forward for the redevelopment of the Central Winchester Area.

The Assistant Director (Estates and Regeneration) has met with the Head of Legal and Democratic Services to finalise the form of the Management Agreement for this year.

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2015 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2015	01.04.16-31.10.16
Part 2 Requirements - Fraud	
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used	Nil
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	2 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	4 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	5 days
Total number of fraud cases investigated	0 **

*relates to internal audit staff across the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, Trading Standards, departmental investigating officers etc.)

**the definition of fraud is as set out by the Audit Commission in *Protecting the Public Purse* - 'the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.'

7. Planning & Resourcing

The internal audit plan for 2016-17 was approved by the Council's Management Team and the Audit Committee in March 2016.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 8

8. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Carry Forward Reviews									
Procurement and contract management – Street Markets	All	✓	✓	✓	✓	✓	Limited	✓	
Procurement and contract management – Housing Cleaning	All	✓	✓	✓	✓	✓	Limited	✓	
Guildhall	CX	✓	✓	✓	✓	✓	Adequate	✓	
Landscape	CD	✓	✓	✓	✓	✓	Limited	✓	
Fieldfare Leader Funding 2015/2021	CD	✓	✓	✓	✓	✓	Limited	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⓧ Delay)	Comment
Capital programme	HoF	✓	✓	✓	✓	✓	Adequate	✓	
RPLC (Procurement VFM)	CX	✓	n/a	✓	✓	✓	n/a	✓	Commissioned consultancy review
2016-17 Reviews									
Corporate cross cutting									
Climate change / energy management	CD	✓	✓	✓				ⓧ	Progress slow due to reprioritisation of WCC work
Community Engagement	CX								
Contract management	CD	✓						✓	
Information governance	CPS	✓	✓	✓				ⓧ	Report delayed due to annual leave
Performance management (Vanguard)	CX	✓	✓					✓	
Procurement	CPS	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✘ Delay)	Comment
Project management – major projects	CD	✓	✓					✓	Potential deferral to 17/18
Recruitment	CX	✓	✓	✓				✓	
Corporate governance									
CIPFA/Tecaff Fraud Survey	CPS	N/a	N/a	✓	N/a	✓	N/a	✓	
Proactive fraud initiatives	CPS	N/a	N/a	✓				✓	
National Fraud Initiative (NFI)	CPS	N/a	N/a	✓				✓	
Mayor's Charity Account	CPS	✓	✓	✓	N/a	N/a	N/a	✓	
Ethical governance	CPS	✓	✓	✓	✓	✓	Adequate	✓	
Ethical governance - procurement	CPS	✓	✓	✓					Commissioned consultancy review
Health and Safety	CX	✓	✓	✓	✓			✘	WCC responses delayed, but now received
Financial management									
Cash Office	CPS	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Council Tax	CPS	✓	✓	✓				✓	
Income collection – follow up	CPS	✓	✓	✓				✓	
Payroll	CPS	✓	✓	✓				✓	
Termination and exit packages	CPS	✓	✓	✓	✓	✓	Adequate	✓	
Information technology									
Applications management	CPS	✓	✓	✓	✓	✓	Adequate	✓	
Data security and management	CPS	✓	✓	✓				✓	
Telecommunications	CPS								
Corporate priorities / Service audits									
Development control	CD	✓						✓	
Disabled Facilities Grants	CD	✓	✓	✓				✓	Delayed start in the fieldwork
Environmental Health	CD	✓	✓	✓	✓	✓	Adequate	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Environmental Services contract – Housing grounds maintenance	CD	✓	N/a	✓	N/a	N/a	N/a	✓	Advisory role
Fieldfare Leader Funding 2015-2021	CD								
Housing allocations	CD	✓	✓	✓	✓			✓	
Housing planned maintenance	CD	✓	✓	✓				✓	
Non assurance work									
Bus Services Operator grant	CPS	N/a	N/a	✓	N/a	N/a	N/a	✓	
Housing capital receipts return	CPS	N/a	N/a	✓	N/a	N/a	N/a	✓	