

REPORT TITLE: GOVERNANCE SUMMARY REPORT: Q2 (2016/17)

AUDIT COMMITTEE

24 NOVEMBER 2016

PORTFOLIO HOLDER: Cllr STEPHEN GODFREY

REPORT OF JOSEPH HOLMES; CORPORATE DIRECTOR (PROFESSIONAL SERVICES)

Contact Officer: Joseph Holmes Tel No: 01962 848220 Email
jholmes@Winchester.gov.uk

WARD(S): GENERAL

PURPOSE

To provide members of the Audit Committee with a summary overview of the key issues in respect of governance from the latest quarter of the financial year.

RECOMMENDATIONS:

1. For the Committee to note the report and the separate agenda items that inform this
2. For the Committee to consider how / if it wishes to receive updates against the actions raised in the Annual Audit Letter

IMPLICATIONS:

- 1 COMMUNITY STRATEGY OUTCOME
 - 1.1 This summary document supports the Council's 'an efficient and effective' outcome by highlighting the latest key governance issues for action.
- 2 FINANCIAL IMPLICATIONS

2.1 None identified

3 LEGAL AND PROCUREMENT IMPLICATIONS

3.1 None identified

4 WORKFORCE IMPLICATIONS

4.1 None identified

5 PROPERTY AND ASSET IMPLICATIONS

5.1 None

6 CONSULTATION AND EQUALITY IMPACT ASSESSMENT

6.1 None completed; the report is a summary of governance items in the past quarter with no consultation / EIA identified

7 RISK MANAGEMENT

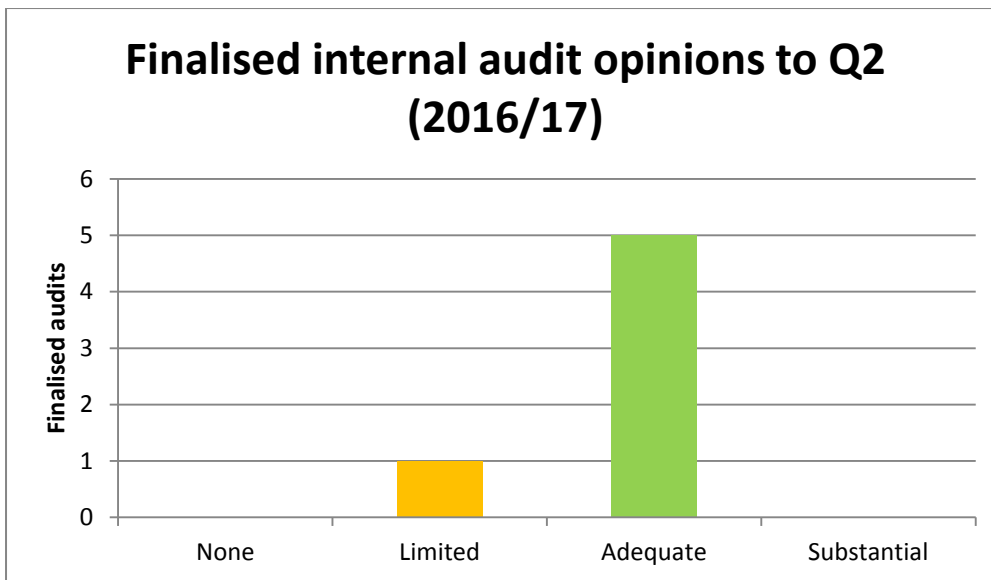
| Risk | Mitigation | Opportunities |
|---|---|---|
| <i>Reputation ensuring effective governance framework</i> | – <i>an</i> This report is a summary of other items on the agenda that will have their own risk management. | By pulling together the latest issues from across governance information this gives the committee more of an opportunity to identify any cross-cutting themes |

8 SUPPORTING INFORMATION:

8.1 This report sets out the summary information in respect of the latest quarter of the financial year concerning governance.

Internal Audit assurance reports

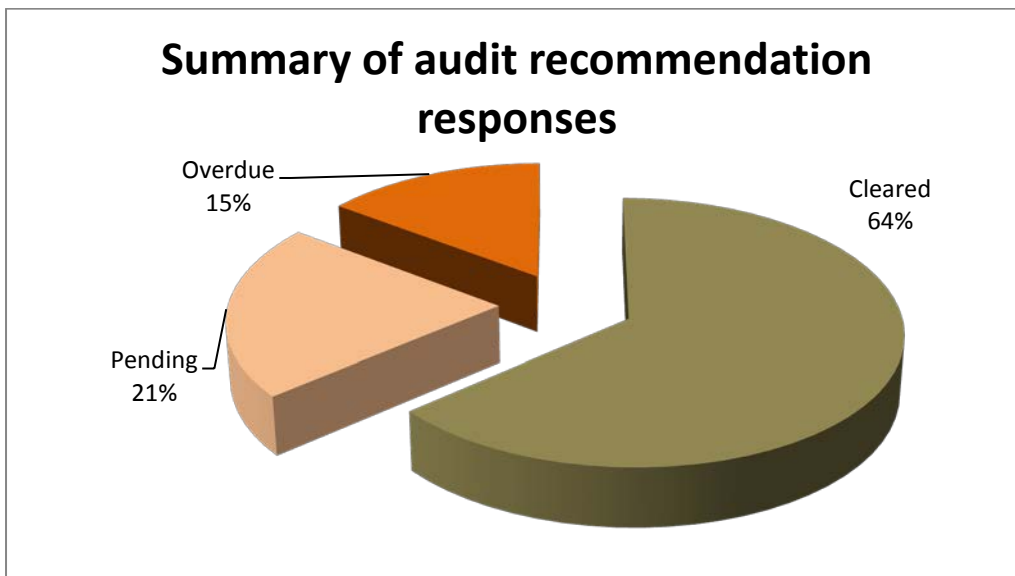
8.2 The graph below shows the assurance levels of internal audits completed in respect of the 2016/17 Audit Plan that have been finalised to date. The detail behind this is in the Internal Audit Progress Report (AUD176, elsewhere on this Committee's agenda).



- 8.3 The one audit with limited assurance (though originally part of the 2015/16 Internal Audit Plan) was finalised after the overall Internal Audit Opinion for that year) is in respect of Fieldfare LEADER Programme.

Internal Audit Management Action Tracking

- 8.4 The graph below shows the current position (since 1 April 2015) of the progress of the management actions arising from internal audit reports. The detail behind this is included in the Internal Audit Progress Update report elsewhere on this Committee's agenda.



The Corporate Risk Register

- 8.5 The diagram below is a 'heat map' which presents visually the results of a risk assessment process for each of the Corporate Risks against the Council's score matrix.
- 8.6 The 'heat map' shows the number of Corporate Risks that have been scored against the impact and likelihood criteria that are included in the Risk Management Policy.

| | | I M P A C T | | | |
|---------------------|-----------------|-------------|----------|-------|-------------|
| | | Low | Moderate | Major | Significant |
| L I K E L I H O O D | Highly Likely | | | | |
| | Likely | | ① | ① | ① |
| | Unlikely | ① | ① | ③ | |
| | Highly Unlikely | | | | |

| Corporate Risks 2016 | | | | |
|---|---|------------------|--------------|------------|
| Risk | Brief Description | Likelihood Score | Impact Score | Risk Score |
| Asset Management | Includes the risks that the Asset Management Plan is not fit for purpose or not adequately funded to enable the Council to properly manage its property portfolio. | Likely | Significant | 12 |
| HRA Finance | Risks arising from the introduction of The Welfare and Housing and Planning Bills which have both placed additional pressures on the HRA. | Likely | Major | 9 |
| Environmental Risks | Includes the following risks, impact from adverse weather conditions and climate change. | Likely | Moderate | 6 |
| Programme Management and Major Projects | Risks include insufficient or inefficient use of skills and resources to enable progress of the Council's programmes and major projects to continue to schedule. Also includes the risk of failing to properly consult and engage with stakeholders relating to major projects. | Unlikely | Major | 6 |
| Transformation | Risks associated with the Council's Transformation programme. | Unlikely | Major | 6 |

| Corporate Risks 2016 | | | | |
|-----------------------------------|--|------------------|--------------|------------|
| Risk | Brief Description | Likelihood Score | Impact Score | Risk Score |
| Financial Stability | Unpredictable or unforeseen changes that affect the Council's financial position, including reductions in income and reserves balances and the ability to set a balanced budget. | Unlikely | Major | 6 |
| Governance and Control Weaknesses | Includes the risk of weak or ineffective governance and control arrangements at the Council that could lead to a potential loss or reputational damage. | Unlikely | Moderate | 4 |
| Commissioning | Under this heading, the following risks are included; shared working arrangements and partnership working | Unlikely | Low | 2 |

8.7 At the Committee's last meeting, during consideration of the Council's Corporate Risks (Report AUD167, 29 September 2016 refers), Members agreed that it would be beneficial to receive a more detailed report on the risks surrounding Asset Management be brought to this meeting.

8.8 Officers are currently updating the Council's Asset Management Plan which will be presented to Cabinet on 7 December 2016 for approval. With this in mind, it would be appropriate for the report on the detailed risks on Asset Management to be deferred and brought to this Committee after approval of the Asset Management Plan. The report is therefore scheduled to be brought to the March meeting of this Committee.

External Audit update

8.9 The Council's external auditors (EY) are presenting a separate report to the Audit Committee that summarises their work over the last financial year; 'the Annual Audit Letter'. The core points within the report have been reported previously to the Audit Committee i.e. that EY provided unqualified audit opinions on the Council's financial statements and value for money. As per the last Audit Committee, EY did highlight four key areas for the Council to progress in the coming months

- There are consistent issues raised across the Silver Hill independent review, LGA peer review and 4 Ps review on the need to update and develop governance arrangements. Although good progress has been made in a number of areas the Council needs to revisit and prioritise remaining actions.
- The Council cannot yet fully show how its 2016/17 budget setting process and MTFs update has been aligned to corporate priorities.
- The Council's approach to reducing net expenditure is to prioritise efficiency savings and growth of income over service reduction, but it is

not always clear how the additional income will be generated and how this links to the wider corporate vision and priorities of the Council.

- There is a need to make internal financial reporting more clearly aligned to Council priorities, less complex and focused to a greater extent on key measures of financial performance and other things that matter to the Council.

8.10 The Council has already started to make progress against these key items, and the Audit Committee should consider how / if it wants to receive updates against these items at future meetings.

9 OTHER OPTIONS CONSIDERED AND REJECTED

9.1 None – the report is a summary of governance related items.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None

Other Background Documents:-

None

APPENDICES:

None