

REPORT TITLE: GOVERNANCE SUMMARY REPORT: Q4 (2016/17)

29 JUNE 2017

REPORT OF PORTFOLIO HOLDER: CLLR ASHTON (PORTFOLIO HOLDER FOR FINANCE)

Contact Officer: Joseph Holmes Tel No: 01962 848 220 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 final quarter of the 2016/17 financial year.

RECOMMENDATIONS:

1. That the Committee notes the content of the report and the progress included in each of the appendices,
2. That any issues arising from the information in the report be raised with the Portfolio Holder and consideration is given to whether any items of significance need to be drawn to the attention of Cabinet.

IMPLICATIONS:

- 1 COUNCIL STRATEGY OUTCOME
 - 1.1 This summary document supports the Council's approach to providing efficient public services by managing and 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 COMMUNICATION

6.1 Consultation on the content of the Report has been undertaken with the Portfolio Holder for Finance and the Chairman of the Audit Committee.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 There are no environmental considerations associated with the content of this report.

8 EQUALITY IMPACT ASSESSMENT

8.1 An Equality Impact Assessment is not required.

9 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Reputation – ensuring an effective governance framework</i>	This report is a summary of the arrangements in place to ensure the Council's governance processes and procedures are robust and fit for purpose.	By pulling together the latest issues from across governance information this gives the committee more of an opportunity to identify any cross-cutting themes that might occur.

10 SUPPORTING INFORMATION:

10.1 This report sets out the summary information in respect of the latest and final quarter of the 2016/17 financial year concerning governance. More detailed information relating to progress against the issues included in the Annual Governance Statement and internal audit actions is included in the appendices to the report.

Annual Governance Statement

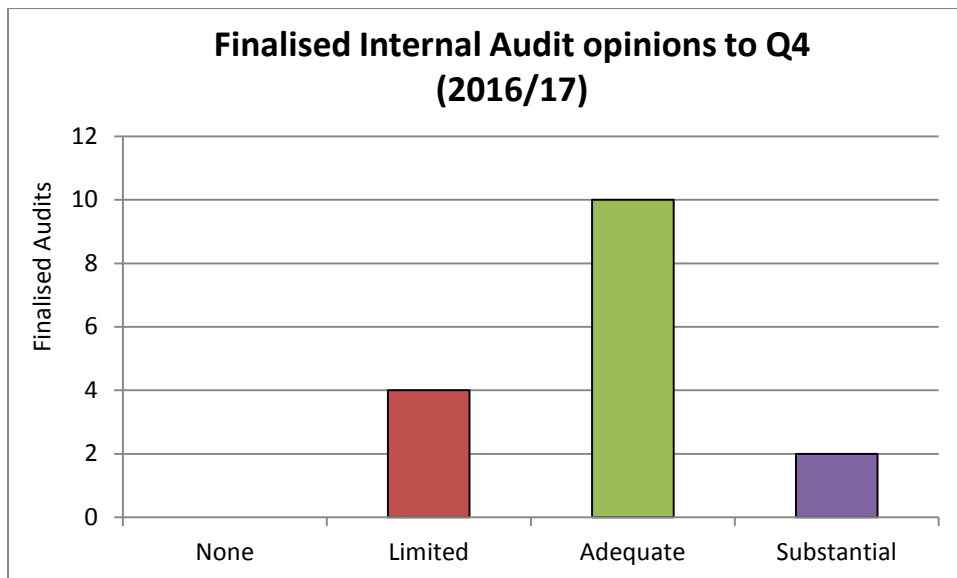
- 10.2 The Council's Annual Governance Statement (AGS) was reviewed by The Corporate Governance Group and reported to this Committee at its meeting on 28 June 2016 (report AUD157 refers).
- 10.3 A number of issues were identified in respect of 2015/16 that require action during the financial year 2016/17. Progress against each of the issues to the 31 March 2017 is included in Appendix 1 to this Report.
- 10.4 Elsewhere on this Committee's agenda is a report that provides information on the issues that are to be included in the Annual Governance Statement for 2016/17. Progress against the actions to manage these issues will be brought to the Committee throughout the year.

Internal Audit Opinion – 2016/17

- 10.5 The Head of the Southern Internal Audit Partnership is responsible for the delivery of an Annual Internal Audit Report and Opinion that can be used by the Council to inform its Governance Statement. The annual opinion concludes the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 10.6 For the 2016/17 financial year there is a positive internal audit opinion. The Head of the Southern Internal Audit Partnership is satisfied that the Council's framework of governance, risk management and management control is 'adequate' and that audit testing carried out during the year demonstrated that the controls were found to be working in practice. The Annual Internal Audit Report and Opinion is attached at Appendix 2 to this Report.

Internal Audit assurance reports

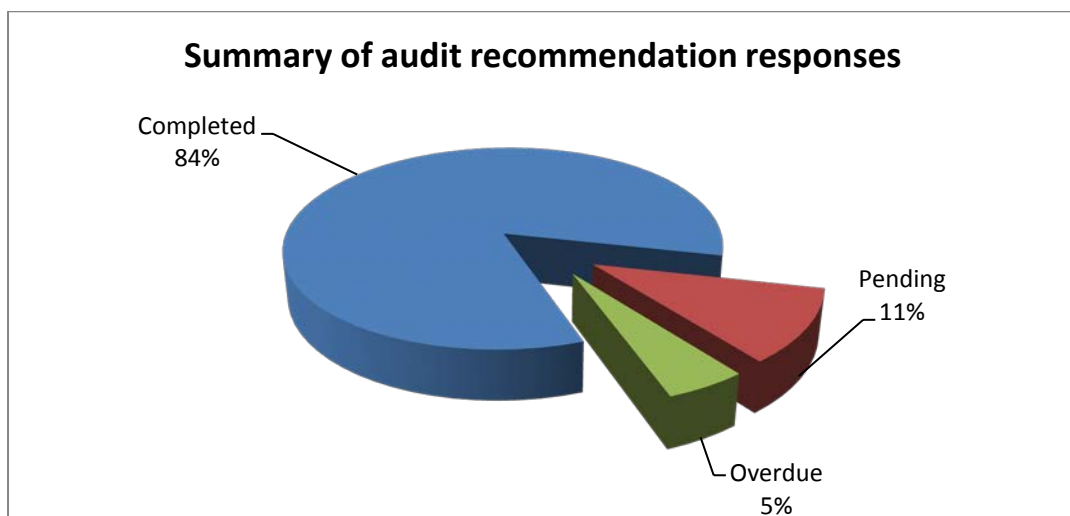
- 10.7 The graph below shows the assurance levels of internal audits completed in respect of the 2016/17 Audit Plan that have been finalised to date. Of the sixteen reports issued to date, 75% have provided adequate or substantial assurance which is an improvement on the 69% for 2015/16.



- 10.8 The limited assurance reviews are in respect of Housing Allocations, Fieldfare LEADER Programme – Governance, Housing Allocations and Cash Office. Though originally part of the 2015/16 Internal Audit Plan, the Fieldfare LEADER Programme was finalised after the overall Internal Audit Opinion for 2015/16 was formed and has been included within the 2016/17 annual opinion.

Internal Audit Management Action Tracking

- 10.9 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 Appendix 2.



- 10.10 Progress against the management actions that are included in the Internal Audit reports are reviewed regularly and a summary table showing the status of these actions is reported on a quarterly basis.

- 10.11 To support the Committee quickly identify where there are overdue actions, the progress table that has been previously reported has been updated to include only the audits where there are overdue actions. Progress continues to be made by officers providing a faster turnaround of responding to and completing internal audit recommendations.
- 10.12 The table below has been updated and includes only the internal audits where there are currently overdue actions.
- 10.13 There are currently 20 overdue audit actions of which 7 are high priority. This compares favourably to the 25 that were overdue at the same time last year, although there was also 7 actions that were high priority at that time.
- 10.14 There are a number of recently completed internal audits that have pending but not yet overdue actions, and as such are not included in the table.
- 10.15 A commentary on the overdue actions that have been classified as 'high priority' is included as part of the Annual Internal Audit Report and Opinion which is Appendix 2 to this Report.

External Audit

- 10.16 Attached as Appendix 3 to this report is an audit progress report that summaries the work that our external auditors; Ernst & Young (EY) have undertaken since the last meeting of the Audit Committee in March.
- 10.17 The purpose of the report is to provide the Committee with an update of their audit plans for the remainder of the 2016/17 audit and to ensure that they continue to align with the Council's service expectations.

Status of 'live' reports with overdue actions

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
<p>Covalent is currently showing 3 outstanding actions (a reduction of one since the position was reported 7 March 2017 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.</p>								
Asset Management 2014/15	30/07/15	CX	Limited	11 (0)	0 (0)	0 (0)	10 (0)	1 (0)
Income Collection – Licensing	01/09/15	CD	Limited	8 (8)	0 (0)	0 (0)	3 (3)	5 (5)
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)
Main Accounting (Reconciliations)	06/04/16	HoF	Adequate	11 (0)	0 (0)	0 (0)	10 (0)	1 (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)	0 (0)	20 (13)	4 (2)
Procurement and contract management – Street Markets	18/08/16	CD	Limited	7 (4)	0 (0)	0 (0)	4 (4)	3 (0)
Ethical Governance	25/10/16	HoLDS	Adequate	12 (1)	0 (0)	4 (0)	7 (1)	1 (0)

The Corporate Risk Register

- 10.18 At its meeting on 26 April 2017, Cabinet approved the updated Risk Management Policy for 2017.
- 10.19 More recently a joint workshop with Cabinet members and officers was held to review and agree the risks that would be included on the Council's Strategic Risk Register. This workshop considered the risks that the Council is facing over the short to medium term and in particular the risks faced by the Council as it strives to deliver the outcomes included in the updated Council Strategy.
- 10.20 The following risks were discussed as being the most significant strategic risks to the Council and would be coming forward on the Council's Strategic Risk Register:
- Business Continuity
 - Customer Insight and Engagement with Change
 - Getting Strategic Planning Right
 - Capacity to Deliver
 - Reliance on Strategic Partners
 - External Financial Changes and Planning for them
 - Strategic Planning for Housing
 - Effective Decision Making
- 10.21 Good progress has been made so far in evaluating the probability and impacts for each of the risks; however more time is required to complete this work and a second workshop is currently being arranged.
- 10.22 It is proposed to bring a detailed Strategic Risk Register back to this Committee at its meeting on 28 September 2017. The current risk register is included in the Risk Management Strategy (report AUD192 also on this Committee's agenda.).

External Audit update

- 10.23 Details of the indicative fee for the 2017/18 audit and certification work is included in Report AUD187, elsewhere on this Committee's agenda.
- 10.24 The indicative fee for the audit of the financial statements; value for money conclusion; and the Whole of Government Accounts audit work is £56,336 which is the same as the planned fee for the work covering the 2016/17 financial year.

11 OTHER OPTIONS CONSIDERED AND REJECTED

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

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD172 – Annual Governance Statement Monitoring Update, 24 November 2016

AUD182 – Q3 Governance Summary Report, 7 March 2017

Other Background Documents:-

None

APPENDICES:

Appendix 1 Annual Governance Statement progress update

Appendix 2 Annual Internal Audit Report and Opinion 2016/17

Appendix 3 – Ernest & Young (EY) Audit Progress Report

ANNUAL GOVERNANCE STATEMENT

Progress monitoring report – to 31 March 2017

Issue	Action to be taken	Progress / Comments
Asset Management	Maintain an up to date Asset Management Plan and ensure that financial aspects of the Council's fixed assets are appropriately incorporated into the financial planning process, taking account the possible impact of the current economic situation and of opportunities to encourage regeneration through the use of the Council's property portfolio.	<p><i>The Council's Asset Management Plan has been updated and was approved by Cabinet on 7 December.</i></p> <p><i>The Council's updated Capital Strategy was approved by Cabinet on 18 January 2017.</i></p> <p><i>The City Council completed the purchase of the Winchester Bus Station on 26 April 2017 which will ensure not only the future of bus operations in the city centre but also generate income through agreements with bus companies for continued use of the station. Plans are now in hand to improve the safety and appearance of the station.</i></p>
Setting and achieving priorities within the context of reducing resources for local government.	<p>Continued improvement in consultation on Council priorities/budget, and of links between corporate planning, and Medium Term Financial Strategy.</p> <p>The Leader's Portfolio Plan includes the key actions:</p> <ul style="list-style-type: none"> -Strengthen the financial resilience of the Council by building further on the principles established in the Asset Management Plan; -Develop a savings and income plan to balance the medium term forecast deficit position; and - Develop the Council's Treasury Management Strategy to support the Council's increased capital spending requirements, with an acceptable level of risk. <p>The production of a detailed Asset Management Plan for Housing Revenue Account assets that determines options for making best use of assets along with a clear asset disposal policy.</p>	<p><i>Work has begun on an outcomes based budgeting approach for the 2018/19 budget which will be based on the outcomes articulated in the Council Strategy, enabling resources to be directed to services and projects that deliver against priorities for the Council.</i></p> <p><i>A plan of service redesign is ongoing across the Council utilising the Vanguard model to assist in the transformation of key services enabling much greater customer service focus and efficiency saving wherever possible.</i></p> <p>.</p>

Issue	Action to be taken	Progress / Comments
Partnership arrangements	Continue to develop partnership arrangements where there is an efficiency or improvement led case for doing so.	<p><i>A number of delivery partnerships are in place to support the Council achieve its priority outcomes, for example the Community Safety Partnership, Health & Wellbeing Partnership, and Housing Forum.</i></p> <p><i>Shared services already in place include IT, Revenues, Environmental Services, Internal Audit, Treasury Management Services as well as the fully integrated merger of Museum Services to form the Hampshire Cultural Trust.</i></p> <p><i>Work is ongoing to generate options for the future model of service delivery for the Environmental Services Contract.</i></p>
Capacity	<p>Ensure capacity to deliver priorities.</p> <p>More effective use of officer capacity through agile working.</p> <p>Effective Flexible Resource Management to achieve target savings.</p> <p>Developing a robust approach to Programme Management.</p>	<p><i>The Council will look to establish a full Programme Management Office to oversee and support all programmes and move to a clear distinction between programme and projects that support an overall Transformation programme.</i></p>
Changes to Governance Arrangements	The Council to fully engage in current discussions on Devolution and Local Authority organisation and the Council's own internal organisational arrangements.	<p><i>The Council continues to engage in discussion on Devolution proposals. Following the Peer Challenge Review in February, the Council will review the Constitution with the remit focussed on</i></p> <ul style="list-style-type: none"> <i>• Efficient and Effective Decision making</i> <i>• Effective contribution to policy development and pre-scrutiny</i> <i>• Build on existing review of PHDs</i> <i>• Clarity of financial rules of procedure</i> <i>• Build on effective member briefings/ policy briefings</i>

Issue	Action to be taken	Progress / Comments
Performance and Risk Management	Respond appropriately to recommendations included in the recent Internal Audit reports on Performance and Risk Management	<p><i>A risk workshop looking at the Council's appetite to risk was held with Cabinet members in early March, with the updated Risk Appetite Statement included in the Risk Management Policy that was approved by Cabinet at its meeting on 26 April. A further workshop has been held in May 2017, again with Cabinet to review the Council's strategic risks.</i></p> <p><i>In response to the recent Corporate Peer Challenge, the Council is establishing a quarterly performance reporting framework that will include the monitoring and reporting of financial performance, Council Strategy measures, projects and corporate health indicators.</i></p>
Recruitment and Retention	Analyse the workforce profile and monitor trends to develop a revised Workforce Strategy and detailed plans to ensure that the Council has the right people with the right skills at the right time.	<p><i>Work on revising the Workforce Plan is underway and is proposed to be completed during the summer.</i></p>
Consultation and engagement	Seek to embed best practice of consultation and engagement across all areas of the Council including engaging with residents to aid their understanding of the Council's major projects and in support of the Council's reputation.	<p><i>The Council has recently appointed a new Engagement and Insight Officer who will support delivery of innovative and value adding engagement and consultation. This important role will also work to provide high quality insight about our residents and service users to support service development.</i></p> <p><i>The officer is already providing support to the new leisure centre project and is preparing as one of their first priorities guidance for successful engagement.</i></p>

Issue	Action to be taken	Progress / Comments
Major Projects	Major projects are properly planned, resourced and managed following established principles and guidance.	<p><u>Station Approach</u></p> <p><i>EU procurement process for the design team to progress the scheme is currently underway and expected to conclude by the end of August. An Advisory Panel is being established to input to the appointments and the design work will then begin.</i></p> <p><u>River Park Leisure Centre</u></p> <p><i>Project Management/Cost consultants appointed to support the Council. Full engagement process to run alongside the design work. Discussions ongoing with Winchester University and HCC in relation to joint working arrangements. Business Case due to be considered and approved by Cabinet in the autumn.</i></p>
Procurement and Contract Management and Governance (particularly arising from the Independent Review of Silver Hill)	Cabinet to consider, with advice from Audit Committee and The Overview and Scrutiny Committee, improvements to procurement, contract management and Governance – Autumn 2015.	<p><i>The Silver Hill IPG completed its programme in March 2017 and summarised progress made to date. Included in the internal audit plan for 2017-18 is an audit to review progress against any outstanding actions.</i></p>

Annual Internal Audit Report & Opinion

2016 - 17

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. Internal Audit Approach

To enable effective outcomes, internal audit provide a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Head of the Southern Internal Audit Partnership and will depend on the:

- level of assurance required;
- significance of the objectives under review to the organisations success;
- risks inherent in the achievement of objectives; and
- the level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



3. Internal Audit Opinion

The Head of the Southern Internal Audit Partnership is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its' governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of Winchester City Council's audit need that has been covered within the period.

Audit Opinion

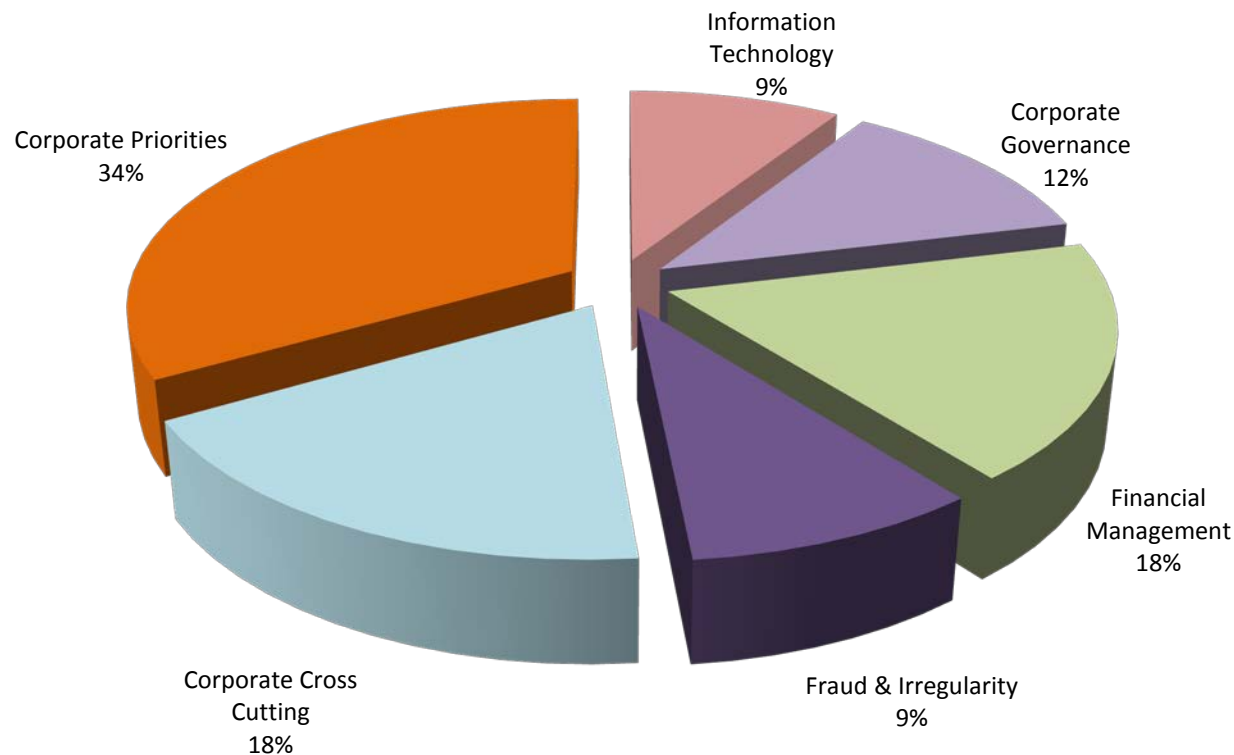
I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Winchester City Council's internal control environment.

In my opinion, Winchester City Council's framework of governance, risk management and management control is 'Adequate' and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council's activities and to support the preparation of the Annual Governance Statement.



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2016-17 Internal audit plan, approved by the Audit Committee 10 March 2016, was informed by internal audits own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

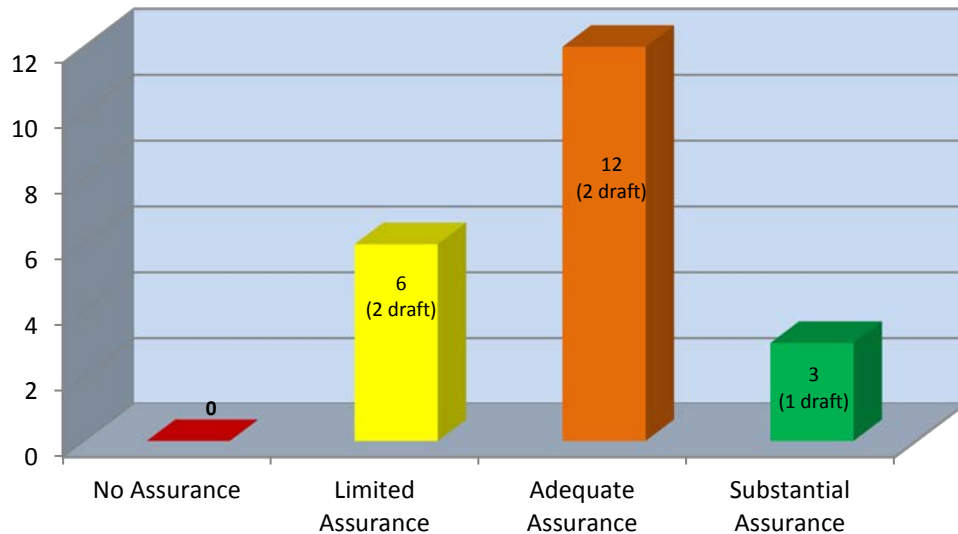
The plan has remained fluid throughout the year to maintain an effective focus.

The Southern Internal Audit Partnership delivered 33 review areas over the course of the year ending 31 March 2017 including the completion of carry forward reviews.

The revised 2016-17 internal audit plan has been delivered with the following exceptions:

- Work is complete and an opinion has been formed for six reviews, however, the final reports have not yet been agreed with management (Climate Change, Contract Management, Vanguard Governance, Procurement, Telecommunications, and Housing Planned Maintenance).

I do not consider these exceptions to have an adverse impact on the delivery of my overall opinion for the period. The opinion assigned to each internal audit review on issue (including draft reports) is defined 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(es) identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk; or

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.

*12 reviews did not culminate in an audit opinion as they relate to work conducted in respect of consultancy, grant certification or fraud & irregularity investigations/pro-active fraud work.

A list of the 2016/17 assurance reviews undertaken/the audit opinions is provided in Annex 1.

5. Key Observations

There were no 'No Assurance' opinions issued during the year.

In general internal audit work found there to be sound control frameworks in place across a majority of review areas, underpinned by relevant policies and procedures, however, there were some common themes emerging from our work throughout the year:

Contract Management – reviews across departments highlighted commonality in the absence of strong governance arrangements to ensure effective delivery of contracted services. Additionally performance reporting / monitoring was inconsistently applied as was the rigor of integrity checks to substantiate reported performance.

Information management & retention – observations relating to information management and retention contributed to limited assurance opinions across a number of reviews during the year both in respect of data quality / completeness and the duration with which records were retained. Identified practices will provide increased risk to the authority in light of pending legislation (General Data Protection Regulation (GDPR)) which comes into force in May 2018.

Procurement – whilst the Council maintain robust contract procedure rules clearly defining procurement requirements aligned to spending thresholds that accord to legislative requirements, there was evidence to suggest non compliance or unfamiliarity with such guidance, particularly in respect of aggregation. We are aware that the Council are proactively seeking to recruit a procurement professional which will assist in contributing to wider corporate awareness / compliance.

6. Anti Fraud and Corruption

The Council is committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image. Policies and strategies are in place setting out the Council's approach and commitment to the prevention and detection of fraud or corruption.

The Council continues to conform to the requirements of the National Fraud Initiative (NFI). The NFI matches data from 1,300 public sector and 77 private sector organisations, including audit bodies in Scotland, Wales and Northern Ireland, government departments and other agencies. It flags up inconsistencies in the information analysed that indicate a fraud, an error or an overpayment may have taken place, signalling the need for review and potential investigation. The Cabinet Office assumed responsibility for the National Fraud Initiative following the demise of the Audit Commission in March 2015.

Dataset	Recommended matches	Matches investigated	Investigations in progress	Frauds / errors identified	Fraud / error value £
Benefits	24	52	0	0	0
Payroll	2	4	0	0	0
Housing	22	27	16	0	0
Concessionary passes	11	13	0	0	0
Creditors	147	0	0	0	0
Single person discount	4931	0	0	0	0
Rising 18s	98	89	0	0	0
Council Tax Reduction Scheme	8	0	0	0	0
Housing Waiting List	231	4	1	0	0

As part of the 2016/17 NFI exercise the Council submitted required data sets in October 2016 receiving feedback on potential matches from January 2017. The data sets from Council Tax and Electoral Register were submitted in February 2017 and the resultant matches (Single

person discount and Rising 18s) were available in March 2017. Work continues to review identified ‘recommended matches’. The outcomes, to date, from the ongoing review of the NFI matches is detailed in the table above.

In addition, we have assessed and where appropriate, advised, investigated or supported the investigation of any allegations of fraud, corruption or improper practice. In accordance with the Local Government Transparency Code 2015 the details of internal audit’s involvement in counter fraud work is summarised below:

Local Government Transparency Code 2015	01.04.16 – 31.03.17
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	12 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, housing benefits 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. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within 'the Standards'.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years.

In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

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

In considering all sources of evidence the external assessment team concluded:

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

There are **no instances** across these standards where we determined a standard below "generally conforms", and 4 instances where the standard is assessed as "not applicable" due to the nature of SIAP's remit.

In accordance with PSIAS, a further self assessment was completed in April 2017 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] which requires ‘an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation’ I can confirm endorsement from the Institute of Internal Auditors, further substantiated through the self assessment in April 2017 that:

‘the Southern Internal Audit Partnership conforms to: the Definition of Internal Auditing; the Code of Ethics; and the Standards’.

There are no disclosures of Non-Conformance to report.




9. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2016-17 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Registration under British Standard BS EN ISO 9001:2008, the international quality management standard complemented by a comprehensive set of audit and management procedures; and
- Review and quality control of all internal audit work by professional qualified senior staff members.

10. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Annual performance indicators			
Aspect of service	2015-16 Actual (%)		2016-17 Actual (%)
Revised plan delivered (including carry forward)	95		100
Positive responses to customer survey *	97		96
Compliant with the Public Sector Internal Audit Standards	Yes		Yes

* Customer satisfaction has been assessed through response to questionnaires issued to a wide range of stakeholders including Members, senior officers, key contacts and Southern Internal Audit Partnership staff.

11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout Winchester City Council with whom we have made contact in the year. Our relationship has been positive and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman
 Head of Southern Internal Audit Partnership
 May 2017

2016/17 Audit Reviews and Opinions

Substantial Assurance	Adequate Assurance
<ul style="list-style-type: none">• Climate change• Council Tax• Development management	<ul style="list-style-type: none">• Capital programme• Information governance• Procurement• Ethical governance• Health and safety• Payroll• Termination and exit packages• Applications management (ICT)• Data security and management (ICT)• Telecommunications• Disabled Facilities Grants• Environmental health
Limited Assurance	No Assurance
<ul style="list-style-type: none">• Fieldfare Leader Funding 2015-2021 – Governance Arrangements• Contract management• Recruitment• Cash Office• Housing allocations• Housing planned maintenance	<ul style="list-style-type: none">• None

Overdue 'High Priority' Management Actions

Review	Due Date	Summary Observation	Management Action(s)	Comments
Income Collection - Licensing	01 Jun 17 (revised)	Charges are not reviewed annually and some have not been updated for several years.	To undertake a thorough assessment of the time taken to process the different Licenses within the Licensing Team.	Update 22 Feb 17: This is ongoing following the Vanguard review which is due to be completed in the next couple of months.
	01 Jan 16 (original)			
	01 Jun 17 (revised) 31 Mar 16 (original)		To review the fees and charges in line with the above assessment.	Update 22 Feb 17: The review of fees and charges will be carried out on completion of the Vanguard review so that they reflect and changes made to processes and/or time spent.
	01 Apr 17 (revised) 01 Jan 16 (original)	There is no reconciliation with UNIFORM to ensure all income for licences issued is collected and recorded. Some annual licences are not recorded in UNIFORM and there is no control to verify that income has been collected and recorded for these licences.	The adoption of a reconciliation sheet detailing all existing Licences against which amounts owed and received are recorded.	Update 22 Feb 17: Work is ongoing with support from the IT team to extract the relevant data from the Uniform system to allow automated reconciliations to take place.
	01 Apr 17 (revised) 01 Oct 15 (original)	There are no reconciliations to CIVICA Financials to ensure income has been correctly recorded.	All Licensing Payments will be provided with a unique reference number against which the payment can be easily reconciled.	Update 22 Feb 17: Work is ongoing with support from the IT team to extract the relevant data from the Uniform system to allow automated reconciliations to take place.

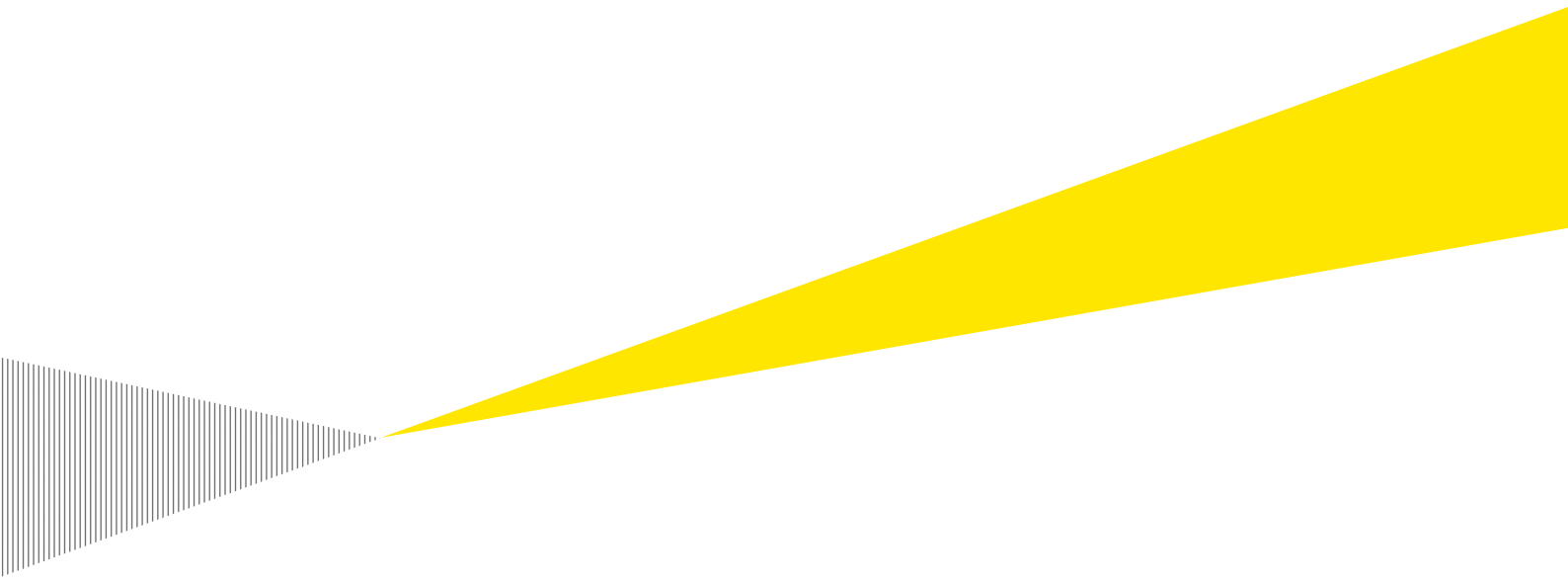
Review	Due Date	Summary Observation	Management Action(s)	Comments
	01 Apr 17 (revised) 01 Oct 15 (original)	There is no audit trail to CIVICA for on-line income.	The adoption of a complete audit trail to be identified in the Procedures and reconciliation of the accounts.	Update 22 Feb 17: Work is ongoing with support from the IT team to extract the relevant data from Uniform to allow automatic reconciliations to take place.
Fieldfare LEADER Programme	30 Nov 16 (original)	The financial position and the overall cost to WCC is not readily clear.	Ensure that the correct level of audit information is provided to maximise recovery of running costs from the RPA and to avoid risk of penalties or non-payment	Update 21 Apr 17: Claim has been submitted to the RPA and further information provided at their request. Currently awaiting the outcome from the RPA.
	01 Oct 16	In order to adhere to RPA requirements, WCC are required to share documentation with non-WCC employees, LAG members (volunteers), and third party 'contractors'.	Review WCC protocols and practical arrangements to ensure they meet RPA contractual requirements and provide a suitable means for employees to deliver a successful and legally compliant programme	Update 15 May 17: Despite the Egress platform being available, progress on the pilot study slipped due to resourcing constraints and other priority activities within the business team. The pilot is now underway with positive feedback so far.

Winchester City Council

Audit Committee

Progress Report

June 2017



Building a better
working world

Audit Committee
Winchester City Council
City Offices
Colebrook Street
Winchester
SO23 9LJ

June 2017

Dear Members,

Audit Progress Report

We are pleased to attach our Audit Progress Report.

This progress report summarises the work we have undertaken since the last meeting of the Audit Committee. The purpose of this report is to provide the Committee with an update of our plans for the remainder of the 2016/17 audit, to ensure they continue to be aligned with your service expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Helen Thompson
Executive Director
For and on behalf of Ernst & Young LLP
Enc.

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the [PSAA website](http://www.psa.co.uk) (www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

2016/17 audit

Planning and our assessment of audit risk

We presented our Audit Plan to the March 2017 meeting of the Committee where we outlined how we intend to carry out our responsibilities as auditor, including our proposed audit approach.

We have completed our interim work since the Audit Plan was issued and remain satisfied that the risks identified in the Audit Plan are appropriate. The one risk impacting on the audit of the financial statements was the significant risk of management override of controls which we identify and respond to on every audit engagement.

We also identified two significant Value for Money risks covering:

- Arrangements for the delivery of medium term financial balance.
- Progress on developing organisational arrangements following recent external reviews and our detailed work to inform the 2015/16 Value for Money Conclusion.

Interim Visit

We completed our interim visit at the end of March. We made good progress:

- We have completed our planned programme of work to test controls within the Council's main housing benefit and payroll systems to gain assurance for our opinion on the Council's financial statements.
- We have complete some early substantive testing of income and expenditure and journals.

We will report our findings fully in our Audit Results Report, but there are no significant issues that we wish to draw to the attention of the Committee at this stage.

Post Statements Audit

Anticipating the move to faster closing, where the Council will have to publish its audited accounts by 31 July 2018 for the 2017/18 financial year, we intend to complete our post-statement work for 2016/17 before the end of August, which is earlier than in previous years. To facilitate this it is important that the financial statements and supporting working papers are delivered in accordance with the Council's planned timetable.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

We plan to present our Audit Results Report for the Council setting out the findings of our work and overall conclusions to the 28 September meeting of the Committee.

Housing Benefit Grant Claim Certification Audit

Working together with the Council we have revised our approach to the 2016/17 Housing Benefit Grant Claim certification audit. More of the initial audit testing undertaken needed to certify the grant claim will be undertaken by Council housing benefit staff, with a sample of their work reviewed in detail and re-performed by us. If successful we plan to reduce the scale fee for the claim audit by 20 per cent.

Looking ahead

Local appointment of auditors for financial statements audits

As previously reported to the Committee, the Council has joined the PSAA Ltd sector-led process to carry out the procurement and appointment of external auditors on behalf of local government bodies for 2018/19 onwards.

Firms meeting the qualification criteria for the procurement process submitted tenders for the local government audit contract in May 2017. The contract is divided into a number of lots of varying sizes. The precise make-up of each lot will be determined in the period following the outcome of the tendering process and will be based on trying to achieve continuity of appointed auditor where possible, and a common auditor for bodies with a close association between them.

Tenders are evaluated based on an assessment of audit quality and price, with a 50/50 weighting between these criteria.

The outcome of the tender is expected to be confirmed in June 2017.

Existing external audit arrangements for the financial statements will remain unchanged for the 2016/17 and 2017/18 financial years.

Local appointment of auditors for grant claim certification

As noted above, from 2018-19, the Council will be responsible for appointing their own auditor, including making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP. This process will be outside the PSAA Ltd sector-led process described above, so the Council will need to make its own individual arrangements to appoint an auditor for this work. The appointment process will need to be completed by the end of February 2018.

Further information can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/585740/s1-2017.pdf

Existing external audit arrangements for housing benefit grant claim certification will remain unchanged for the 2016/17 and 2017/18 financial years.

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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