

REPORT TITLE: GOVERNANCE SUMMARY REPORT: Q3 (2016/17)

AUDIT COMMITTEE

7 MARCH 2017

PORTFOLIO HOLDER: CLLR GODFREY (PORTFOLIO HOLDER FOR FINANCE)

REPORT OF JOSEPH HOLMES; CORPORATE DIRECTOR (PROFESSIONAL SERVICES)

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 latest quarter of the 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 'an efficient and effective' outcome by highlighting the latest key governance issues for action.

1.2 FINANCIAL IMPLICATIONS

1.3 None identified

2 LEGAL AND PROCUREMENT IMPLICATIONS

2.1 None identified

3 WORKFORCE IMPLICATIONS

3.1 None identified

4 PROPERTY AND ASSET IMPLICATIONS

4.1 None

5 CONSULTATION AND EQUALITY IMPACT ASSESSMENT

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

6 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.

7 SUPPORTING INFORMATION:

7.1 This report sets out the summary information in respect of the latest quarter of the financial year concerning governance. More detailed information relating to progress against the issues included in the Annual Governance Statement, Corporate Risks and internal audit actions is included in the appendices to the report.

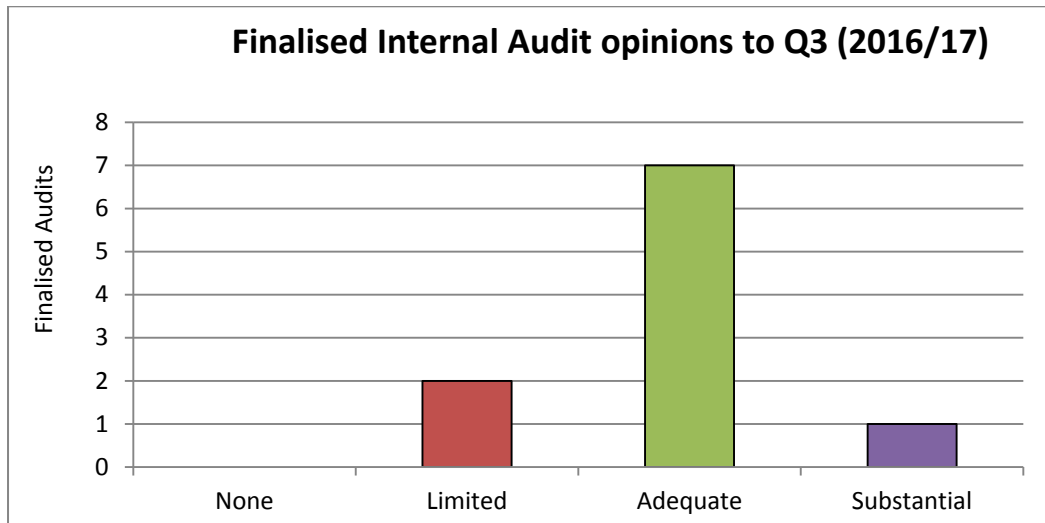
Annual Governance Statement

7.2 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).

7.3 A number of issues were identified in respect of 2015/16 that require action during the current financial year. For each of these issues, the Council has prepared a plan on how it will address them. Progress against each of the issues is included in Appendix 1 to this Report.

Internal Audit assurance reports

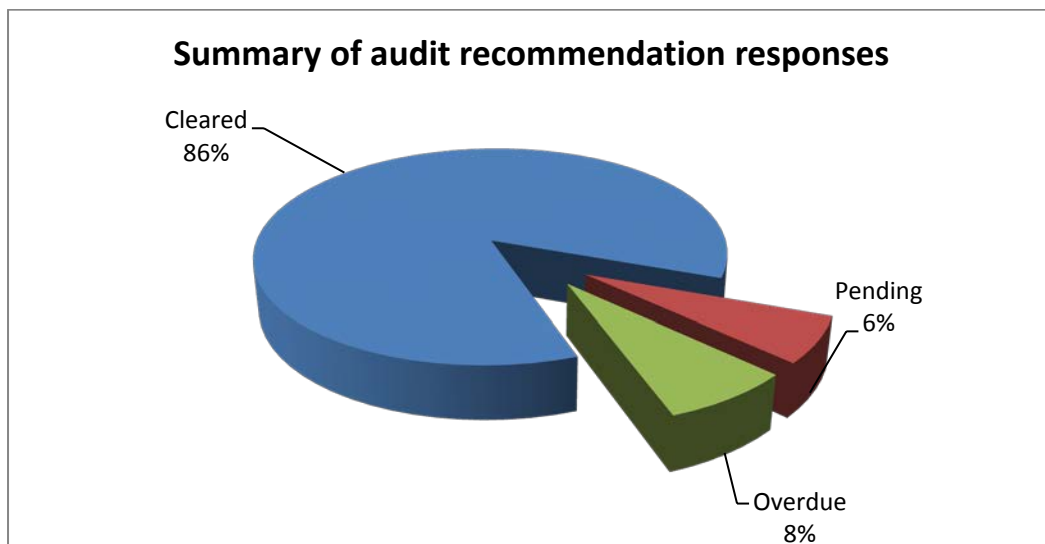
- 7.4 The graph below shows the assurance levels of internal audits completed in respect of the 2016/17 Audit Plan that have been finalised to date. The detail behind this is in the Internal Audit Progress Report attached as Appendix 3.



- 7.5 The limited assurance reviews are in respect of Housing Allocations and the Fieldfare LEADER Programme. 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 therefore will be included within the 2016/17 annual opinion.

Internal Audit Management Action Tracking

- 7.6 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 3.



The Corporate Risk Register

- 7.7 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.
- 7.8 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.

		IMPACT			
		Low	Moderate	Major	Significant
LIKELIHOOD	Highly Likely				
	Likely		①	①	①
	Unlikely	①	①	④	
	Highly Unlikely				

Corporate Risks 2017				
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 2017				
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
Data Protection	Risk of a data breach occurring resulting in a loss or unlawful disclosure of data.	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

- 7.9 Following consideration of the corporate risks, Performance Management Team has agreed that Data Protection should be escalated to be included on the register. The reason for this is the legislation is changing to the new General Data Protection Regulations which will take effect from May 2018. Due to the amount and nature of the data held by the Council there is a risk of a major impact in the event of a data breach.
- 7.10 Cabinet at its meeting on 7 December 2016 approved the updated Asset Management Plan. Work is ongoing to review how the actions and controls included in the Asset Management Plan treat or manage the risks. Once this has been completed the risk score will be re-evaluated.
- 7.11 More information on the progress of the treatment of the corporate risks is included Appendix 2.

External Audit update

- 7.12 The Council's external auditors (EY) presented a separate report to the Audit Committee in September 2016 that summarised 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. However, in their report 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 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.

7.13 The Council has already started to make progress against these key items with the recent Local Government Association (LGA) Peer Review providing a baseline for a number of these previous reports for the Council to action including the planned introduction of Outcome based Budgeting during 2017. The monthly financial monitoring reports to Performance Management Team (PMT) have been simplified and there is a planned introduction of quarterly reports to Cabinet in 2017/18.

8 OTHER OPTIONS CONSIDERED AND REJECTED

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

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD167 – Corporate Risk Update, 29 September 2016

AUD172 – Annual Governance Statement Monitoring Update, 24 November 2016

AUD176 – Internal Audit Progress Report 2016-17, 24 November 2016

AUD177 – Q2 Governance Summary Report, 24 November 2016

Other Background Documents:-

None

APPENDICES:

Appendix 1 Annual Governance Statement progress update

Appendix 2 Corporate Risk Monitoring Report

Appendix 3 Internal Audit Progress Report

ANNUAL GOVERNANCE STATEMENT

Progress monitoring report – 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>A new informal cross-party group known as the Central Winchester Regeneration Informal Policy Group has been formed to work on bringing forward suitable policies and proposals for the city centre site.</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>The Council's Medium Term Capital Strategy includes investing in large schemes which, by encouraging the economic health of the City, will help generate income streams that can replace the lost Central Government grants currently being phased out.</i></p> <p><i>The Council has refreshed its Community Strategy which is now the Council Strategy 2017-2020. This was adopted at Full Council on the 23 February. This sets out the Council's priorities and ambitions, and will be clearly reflected in individual Portfolio Plan, with its delivery detailed in service plans. Looking forward to the budget for 2018 onwards, an outcomes based budgeting approach will be adopted 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 being developed 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 help realise priority outcomes, for example the Community Safety Partnership, Health & Wellbeing Partnership, and Housing Forum. 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. Work has begun on generating 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>A framework has been established to monitor progress and manage resources in relation to the effective delivery of corporate projects. This comprises of monthly meetings with Cabinet Members, the Programme Management Group and the Performance Management Team. Cabinet (Major Projects) Committee also plays a role in ensuring good governance within major projects. The use of project teams supported by the Major Project's team utilising resources from across the Council and utilising external resources/ expertise as required has helped to support the delivery of major corporate projects. Local Partnerships were engaged to support a review of how our approach to programme management can further be improved, and key recommendations from this have been implemented. The 1-team approach to staff deployment continues to assist with directing staff resource to priority areas. The Major Projects Team is supporting the prioritisation of resources for the Council's significant projects. The Cabinet approved a paper proposing some realignment of existing staffing resources to address current capacity gaps and proposals to provide specific resources.</i></p>

Issue	Action to be taken	Progress / Comments
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.	<i>The Council continues to engage in discussion on Devolution proposals. Internally, the Council is considering improvements to its governance arrangements to enhance and clarify decision-making arrangements.</i>
Performance and Risk Management	Respond appropriately to recommendations included in the recent Internal Audit reports on Performance and Risk Management	<p><i>The refreshed Council Strategy covering the period 2017-2020 was approved by Cabinet on 8 February and adopted by Council on 23 February. Aligned to the outcomes in the Strategy are a suite of outcome measures which will be monitored and reported throughout the year.</i></p> <p><i>A risk workshop for senior managers was held on 1 November which provided an update on the arrangements for managing risk as set out in the Risk Management Policy 2016.</i></p> <p><i>Performance Management Team continues to review the Council's Corporate Risks on a quarterly basis and respond to any escalated operational risks as they arise</i></p> <p><i>Revised committee report template now includes an updated paragraph for risk management issues to support decision making</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 soon to begin now that the new Chief Executive is in post and will reflect the revised Council Strategy to ensure that the Workforce Plan is fully aligned to corporate priorities.</i></p> <p><i>Detailed action plans for each area will be worked on further with managers and HR Business Partners and the Performance Management Team to ensure that workforce priorities at both a local and corporate level are met over the next five year period.</i></p>

Issue	Action to be taken	Progress / Comments
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>Programme and Project Management arrangements implemented over the last year will provide reassurance that communication is embedded in each project plan. Project Management training has been delivered to key staff which supports this.</i></p> <p><i>Consultation methods and approaches are being reviewed to take into account best practice depending upon the type and nature of the project.</i></p> <p><i>A consultation hub ('Citizen Space') continues to provide a centralised area on the Council's website for all City Council consultation, along with feedback and commentary on the results of consultations.</i></p> <p><i>The Local Government Association provided a short review of the Communications and Engagement in October 2016 and its recommendations are being implemented.</i></p>
Major Projects	Major projects are properly planned, resourced and managed following established principles and guidance.	<p><u><i>Station Approach</i></u></p> <p><i>Cabinet has agreed to undertake a open invitation to tender process to secure a new architect following the decision to not appoint the highest scoring bidder from the previous Competitive Dialogue procurement process. The new process will be supported by the RIBA Competition Office.</i></p> <p><u><i>River Park Leisure Centre</i></u></p> <p><i>Further technical and financial work is being undertaken to inform decision making on the possible options. A decision on the Business Case for a replacement Leisure Centre has been delayed to 2017 following the start of negotiations to purchase the Garrison Ground from Tesco, which opens up an option for the new centre's location which was not previously available. On going condition survey work is being undertaken on the existing Leisure Centre.</i></p>

Issue	Action to be taken	Progress / Comments
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.	<i>The Silver Hill IPG is due to complete in March 2017 and summarise progress made to date. Included in the internal audit plan for 2017-18 are audits on procurement and contract management to assess the current position of each.</i>

Risk Title: Asset Management		
Risk Owner: Assistant Director (Estates and Regeneration)		
Risk Description: Lack of long term planning and prioritisation of maintenance and repairs leading to non-housing assets falling into disrepair resulting in unforeseen expenditure and inability to maximise income or capital receipts.		
Current Risk Score:	Likelihood = Likely Impact = Significant	Changes to risk scores: Risk divided into two parts, (i) AMP is not fit for purpose. (ii) not adequately funded to enable the Council to properly manage its property portfolio. The resource risk will reduce when the new 5 year AMP has been fully considered by Cabinet.
Previous Risk Score: 24 November 2016	Likelihood = Likely Impact = Significant	
Financial Impact: Property - Asset Management Plan Reserves forecast at £3.7m the start of 2016/17.		
Progress against actions to manage the risks: <ul style="list-style-type: none"> • Work closely with leadership team – <i>the AD (Estates& regeneration) continues to work closely with the Leader, Portfolio Holder for Estates, AD (Housing), AD Major Projects, Head of Finance and CMT updating them of asset management issues as they arise.</i> • Update Asset Management Plan – <i>The updated Asset Management Plan was approved by Cabinet on 7 December 2016 (report CAB2870 refers).</i> • Ensure Estates Team keeps up with local market trends – <i>The team reviews market developments in all appropriate property sectors and uses specialist external consultant advice where it is appropriate to do so.</i> 		

Risk Title: Programme Management and Major Projects		
Risk Owner: Assistant Director (Policy & Planning)		
Risk Description: Overambitious Council leading to staff being overburdened resulting in projects not being delivered within agreed timescales and anticipated income not received.		
Current Risk Score:	Likelihood = Unlikely Impact = Major	Changes to previous risk scores: No change.
Previous Risk Score: 29 September 2016	Likelihood = Unlikely Impact = Major	
Financial Impact: £300,000 pa		
Progress against actions to manage the risks:		
<ul style="list-style-type: none"> • Increased project delivery budget and extra staff resources secured. A new Projects and Policy team structure is in place. • Improved establishment of project budgets and use of specialist consultancies to assist where in house skills/ resources are not available, • Follow up LGA audit and assistance of Project Management Procedure, • Establishment of active Programme Risk Register, • Active Consideration be given Project Assurance Techniques with LGA support, • Active use of Business Cases for major projects and completion of formal training for staff, • Implementation of political champions for Major Projects, • Establishment of Major Projects Committee, • Leader's Board regularly consider priorities and informed by Performance Management Team 		

Risk Title: Governance and Control Weaknesses		
Risk Owner: Corporate Director (Professional Services)		
Risk Description: Weak or ineffective internal control leading to financial loss resulting in damage to the Council's reputation and adverse publicity.		
Current Risk Score:	Likelihood = Unlikely Impact = Moderate	Changes to Risk Score: No Change
Previous Risk Score: 29 September 2016	Likelihood = Unlikely Impact = Moderate	
Financial Impact: Unknown at this time		
Progress against actions to manage the risks:		
<ul style="list-style-type: none"> • Maintenance of an independent and robust internal audit function that completes a sufficient breadth of audits focussed on corporate risks as set out in the Annual Internal Audit Plan, • Informal Scrutiny Group set up to review Overview and Scrutiny function. • Undertaking completion of actions included within the Annual Governance Statement (update due to this Audit Committee), • Informal Policy Group (IPG) on Silver Hill to finalise its work in March with a summary address completed and those that are longer term, • Overall Internal Audit Opinion for the Council is adequate per the internal audit opinion at the June Audit Committee (AUD 161) 		

Risk Title: Financial Stability		
Risk Owner: Head of Finance		
Risk Description: Adverse impact of financial risks relating to assumptions made for medium term financial projections leading to an unbalanced budget resulting in financial instability for the Council.		
Current Risk Score:	Likelihood = Unlikely Impact = Major	Changes to risk scores: No Change
Previous Risk Score: 24 November 2016	Likelihood = Unlikely Impact = Major	
Financial Impact: An assessment is included in the Budget report (CAB2896, February 2017); Earmarked Reserves are set aside for identified specific financial risks and a General Fund Balance of £2m is retained for general/ unspecified financial risks inherent in the budget assumptions, together with a further £1m to manage fluctuations in Business Rates.. The Housing Revenue Account makes similar assessments for financial risks and holds balances to mitigate them. Contingent Liabilities are assessed at the financial year end and relevant disclosure is made in the annual accounts.		
Progress against actions to manage the risks: <ul style="list-style-type: none"> • Develop financial resilience strategy <i>The development of the Council Strategy (CAB2899) together with the Medium Term Financial Strategy (CAB2896) demonstrates the Councils coherent development of financial resilience</i> • Clarify income generation strategy – <i>all income sources are reviewed annually as part of the budget setting process. A more fundamental review will be undertaken.</i> • Explore Invest to Save options – <i>investment in property considered where it is likely to produce stable long term income streams. Investment in energy efficiency measures to reduce the Council's operating costs. Use of Prudential Borrowing to fund investment in commercial property, or operational property where an income stream can be generated.</i> • Develop Reserves policies – <i>A coherent reserves policy is now in place, with a further review scheduled for the coming year to ensure that the policy remains fit for purpose</i> • Develop cash-flow forecasting and borrowing strategy - <i>A revised Treasury Management Strategy (CAB2898) has been approved.</i> 		

Risk Title: Environmental Risks		
Risk Owner: Assistant Director (Economy and Communities)		
Risk Description: Lack of planning for extreme weather events leading to delays in responding to situations resulting in increased costs and staff resources.		
Current Risk Score:	Likelihood = Likely Impact = Moderate	Changes to risk scores: No Change
Previous Risk Score: 29 September 2016	Likelihood = Likely Impact = Moderate	
Financial Impact. Unknown		
<p>Progress against actions to manage the risks: Recent work to reduce District's contribution to Climate Change (potentially a cause of extreme weather conditions) has included:</p> <ul style="list-style-type: none"> • <i>Key measures for Winchester Air Quality Action Plan approved by Cabinet in December 2016 (report CAB2869 refers),</i> • <i>Review of waste rounds to reduce carbon emissions currently in hand,</i> • <i>Ongoing delivery of Route Map for a Low Carbon Economy,</i> • <i>Feasibility of a solar PV project for non-residential buildings in the city centre (Town Forum) in hand,</i> • <i>Council Strategy 2017-2020 sets out to improve the quality of the District's environment by finding creative ways to reduce harmful emissions, based on sound evidence and holistic transport planning.</i> <p>Specific works to improve the District's readiness for extreme weather events has included:</p> <ul style="list-style-type: none"> • <i>Implementation of agreed package of flood resilience measures across the District now completed, including Water Lane, Winchester, Hambledon Pipe and Park Avenue defences (in hand).</i> 		

Risk Title: Commissioning		
Risk Owner: Assistant Director (Economy and Communities)		
Risk Description: Failure of a contractor to deliver services leading to delays to the Council or public resulting in increased costs and adverse publicity.		
Current Risk Score:	Likelihood = Unlikely Impact = Low	Changes to risk scores: No Change
Previous Risk Score: 29 September 2016	Likelihood = Unlikely Impact = Low	
Financial Impact: Estimated to be up to £1 million		
Progress against future actions: <ul style="list-style-type: none"> • <i>Continued use of the South East Business Portal and Contract Finder internet sites to increase transparency when commissioning services,</i> • <i>Projects Team maintain 'lessons learnt' log from each project, which includes the commissioning associated with each project (eg procurement, partnership working).</i> • <i>Internet pages on commissioning process updated and maintained to provide current information, tailored appropriately for voluntary sector, small businesses, large contractors etc,</i> • <i>Procurement procedures updated regularly and training provided for Heads of Team and others involved in procurement process,</i> • <i>Increasing inclusion of advance 'supplier workshops' in procurement process to discuss draft tender specifications, enabling early consideration of issues such as cash flow.</i> 		

Risk Title: Transformation		
Risk Owner: Assistant Director (Organisational and Service Development)		
Risk Description: Inadequate and/or lack of dedicated resources allocated to the Transformation Programme leading to delayed progress resulting in the Council being unable to reach or achieve long term objectives.		
Current Risk Score:	Likelihood = Unlikely Impact = Major	Changes to risk scores: No Change.
Previous Risk Score: 29 September 2016	Likelihood = Unlikely Impact = Major	
Financial Risks £250k p.a. savings to be identified as part of wider review of transformation plan.		
Progress against future actions:		
<ul style="list-style-type: none"> • Agree and communicate long term objectives and aspirations for the Council to staff – ongoing • Provide adequate resources to deliver programme of reviews – <i>ongoing. Additional staff resources have been allocated and staff appointed to the corporate Vanguard project.</i> • Use suitable, recognised and tested approaches and processes – <i>the Council is currently using the Vanguard method to review the handling of planning applications within the Business Support and Development Management Teams. The vanguard methodology is also being applied in within Environmental Health with a review of Taxi and Driver Licensing as well within the Landscape Team. A further programme for services has been developed and is awaiting CMT approval. This will take the project through to 2018.</i> • Engage staff throughout the process in reviews – <i>ongoing. Clearly set out responsibilities and estimated timescales for the delivery of the programme and ensure through regular monitoring that this is adhered to and that other priorities do not impact on delivery.</i> 		

Risk Title: Housing Finance		
Risk Owner: Assistant Director (Chief Housing Officer)		
Risk Description: Changes arising from the Welfare and Housing and Planning Bills impacting on tenants and the Council's ability to balance the HRA budget in future years.		
Current Risk Score:	Likelihood = Likely	Changes to risk scores: No Change
	Impact = Major	
Previous Risk Score: 24 November 2016	Likelihood = Likely	
	Impact = Major	
Financial Risks Estimated £2m annual shortfall from 2020 (HRA balanced until then) as a result of 1% annual rent reductions. High Value Sales levy unknown at this stage but could be very significant (>£10m per annum).		
Progress against future actions: <ul style="list-style-type: none"> • <i>Still awaiting announcement of detailed regulations (now significantly delayed) and no indication at this point from when further information/announcements will be made,</i> • <i>Housing Asset Management Strategy approved by Cabinet (Housing) Committee on 23/11/16 (report CAB2866(HSG) refers)</i> • <i>Register of High Value assets being prepared as part of the above Strategy,</i> • <i>Housing Revenue Account Budget and Business Plan approved by Cabinet (Housing) on 1 February 2017 (report CAB2893(HSG) refers).</i> 		

Risk Title: Data Protection		
Risk Owner: Head of Legal and Democratic Services		
Risk Description: Risk of a data breach occurring resulting in loss or unlawful disclosure of data.		
Current Risk Score:	Likelihood = Unlikely	Changes to risk scores: New risk
	Impact = Major	
Previous Risk Score:		
24 November 2016	Likelihood = n/a	
	Impact = n/a	
Financial Risks The maximum fine for a data breach is up to £500,000.		
Progress against future actions: <ul style="list-style-type: none"> • Staff training and awareness held that outlines the changes in the Data Protection Act • Policy and procedure document in place • Data audit to be carried out as part of the implementation on the new Data Protection Regulation • Recent internal audit on Data Management and Security given adequate assurance audit opinion and no high priority management actions required. 		

Internal Audit Progress Report

February 2017

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

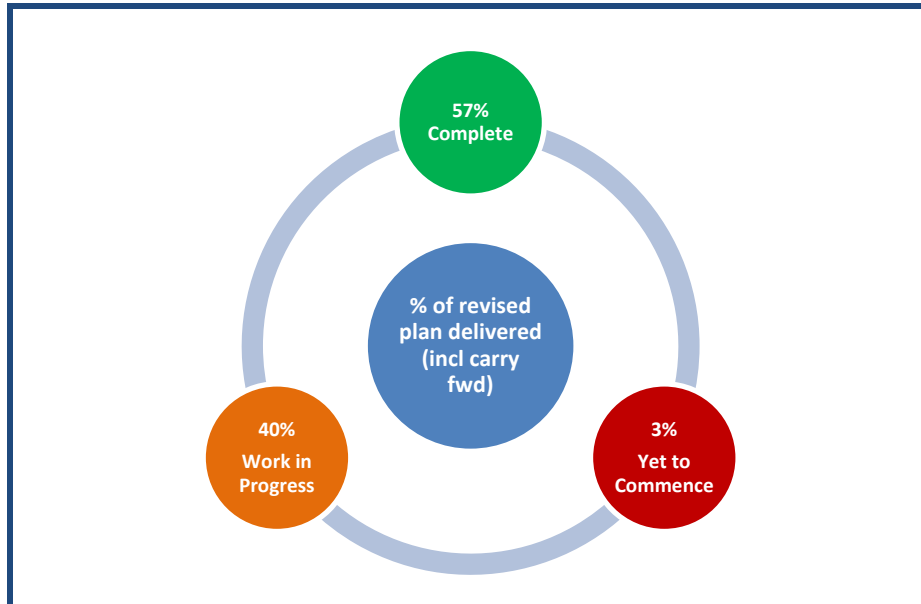
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

- 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

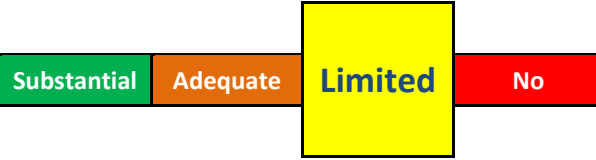
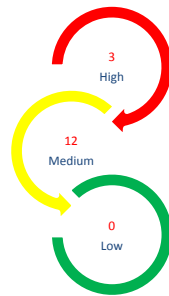
Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Covalent is currently showing 4 outstanding actions (a reduction of one since the position was reported 24 November 2016 to Audit Committee) relating to audit reports issued prior to 2015. Management continue to review these actions to ensure Covalent has been appropriately updated or establish continued relevance.								
Asset Management 2014/15	30/07/15	CX	Limited	11 (0)	0 (0)	0 (0)	10 (0)	1 (0)
Environmental Services Contract (joint with EHDC)	26/08/15	CD	Adequate	5 (0)	0 (0)	0 (0)	5 (0)	0 (0)
Income Collection – Licensing	01/09/15	CD	Limited	8 (8)	0 (0)	0 (0)	3 (3)	5 (5)
Housing Rents and Debt Management	05/10/15	CD	Adequate	8 (0)	0 (0)	0 (0)	7 (0)	1 (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)
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)
Landscape	26/07/16	CD	Limited	9 (6)	0 (0)	0 (0)	7 (4)	2 (2)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Fieldfare LEADER Programme 2014-2021 Governance Arrangements	08/08/16	CD	Limited	24 (15)	0 (0)	5 (3)	13 (9)	6 (3)
Procurement and contract management – Street Markets	18/08/16	CD	Limited	7 (4)	0 (0)	0 (0)	3 (3)	4 (1)
Procurement and contract management – Housing Cleaning	17/08/16	CD	Limited	9 (1)	0 (0)	1 (0)	8 (1)	0 (0)
Termination Payments and Exit Packages	19/09/16	CD	Adequate	2 (2)	0 (0)	0 (0)	2 (2)	0 (0)
Ethical Governance	25/10/16	HoLDS	Adequate	12 (1)	0 (0)	4 (0)	7 (1)	1 (0)
Environmental Health	04/11/16	CD	Adequate	10 (9)	0 (0)	2 (1)	8 (8)	0 (0)
Capital	10/11/16	HoF	Adequate	2 (0)	0 (0)	2 (0)	0 (0)	0 (0)
Health and Safety	07/12/16	CD	Adequate	3 (0)	0 (0)	0 (0)	3 (0)	0 (0)
Housing allocations	17/02/17	CD	Limited	15 (3)	0 (0)	7 (0)	8 (3)	0 (0)
Data Security & Management	21/02/17	CPS	Adequate	1 (0)	0 (0)	1 (0)	0 (0)	0 (0)

*Details of progress against outstanding 'High Priority' actions are detailed at Appendix 2

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

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

Housing allocations		
<p>Directorate Sponsor: Steve Tilbury - Corporate Director Service Delivery, Richard Botham – Assistant Director (Chief Housing Officer)</p> <p>Key Contacts: Gillian Knight - Head of Housing Options</p> <p>Final Report Issued: 17/02/17</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>There are clear sets of procedures and guidance for the users of the Hampshire Home Choice (HHC) system published on the HHC website. These documents provide officers of the HHC partner Authorities, Registered Providers (RP) and applicants with the information required to make and process applications for housing</p> <p>Testing was carried out on current waiting list applicants and successfully housed applicants in order to confirm due diligence checks had been carried out in a timely manner. It was found that there were delays with the majority of cases tested. In addition, there was absence and inconsistency with the recording and retention of relevant documentation to support the due diligence checks required.</p> <p>Review of arrangements for ensuring system security and meeting Data Protection Act requirements concluded that there was scope for improvement especially with regards to maintaining user system accesses. We noted that the Partnership Agreement between the five partners makes no reference to compliance with data protection legislation which should be clearly understood and applied, and is particularly important given data is being shared in a common database</p> <p>We sighted the Partnership Agreement between the five Partners, which includes a number of performance measures and targets. However, the reporting to the HHC Partnership Board does not include the current position against these performance targets, to enable effective monitoring</p>		

*All 'High' priority management actions have been implemented

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	01.04.16-31.01.17
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	7.5 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	✓	15/16 Annual Opinion
Procurement and contract management – Housing Cleaning	All	✓	✓	✓	✓	✓	Limited	✓	15/16 Annual Opinion
Guildhall	CX	✓	✓	✓	✓	✓	Adequate	✓	15/16 Annual Opinion
Landscape	CD	✓	✓	✓	✓	✓	Limited	✓	15/16 Annual Opinion

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⓧ Delay)	Comment
Fieldfare Leader Funding 2015/2021	CD	✓	✓	✓	✓	✓	Limited	✓	16/17 Annual Opinion
Capital programme	HoF	✓	✓	✓	✓	✓	Adequate	✓	16/17 Annual Opinion
RPLC (Procurement VFM)	CX	✓	n/a	✓	✓	✓	n/a	✓	Commissioned consultancy review
2016-17 Reviews									
Corporate cross cutting									
Climate change / energy management	CD	✓	✓	✓				ⓧ	Delayed due to SIAP sickness
Contract management	CD	✓	✓					✓	
Information governance	CPS	✓	✓	✓	✓			✓	
Performance management (Vanguard)	CX	✓	✓	✓				✓	
Procurement	CPS	✓	✓	✓				ⓧ	Delayed in obtaining required information
Recruitment	CX	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule 🔴 Delay)	Comment
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	✓	✓	✓	✓	✓	N/a	✓	Commissioned consultancy review
Health and Safety	CX	✓	✓	✓	✓	✓	Adequate	✓	
Financial management									
Cash Office	CPS	✓	✓	✓				✓	
Council Tax	CPS	✓	✓	✓	✓	✓	Substantial	✓	
Income collection – follow up	CPS	✓	✓	✓				🟡	Delayed due to SIAP sickness
Payroll	CPS	✓	✓	✓	✓			✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Termination and exit packages	CPS	✓	✓	✓	✓	✓	Adequate	✓	
Information technology									
Applications management	CPS	✓	✓	✓	✓	✓	Adequate	✓	
Data security and management	CPS	✓	✓	✓	✓	✓	Adequate	✓	
Telecommunications	CPS	✓	✓					✓	
Corporate priorities / Service audits									
Development control	CD	✓						✓	
Disabled Facilities Grants	CD	✓	✓	✓	✓			✓	
Environmental Health	CD	✓	✓	✓	✓	✓	Adequate	✓	
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	✓	✓	✓	✓	✓	Limited	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
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	✓	

Appendix 3

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.
Landscape	03 Jul 17 (revised) 30 Nov 16 (original)	Inaccuracies in recording information in Obligation Tracker in relation to outstanding S106 contributions.	The Council is moving from Obligation Tracker to Exacom (Idox) in 2016 which will deal with both s106s and Community Infrastructure Levy payments. As part of the migration data will be cleansed to ensure only accurate data is entered into the new system. Any outstanding s106 actions will be identified and pursued following data cleansing	Update 31 Jan 17: EXACOM has now been installed and is being used to record all new S106 cases. Migration of data remains an issue. Currently working with the project team to determine how best to migrate the data to enable data cleansing.
	31 Mar 17 (revised) 30 Nov 16 (original)		The new system, Exacom, provides the opportunity to design a protocol for officers handling cases with s106s to ensure data held in the system is accurate and up-to-date reflecting the final version of the agreement or unilateral undertaking	Update 31 Jan 17: EXACOM is now live and a protocol has been developed and is currently used by Resource Officer who has developed the protocol and the CIL Officer/Compliance Officers. Once fully robust further training will be given to DM/Legal case officers.
Fieldfare LEADER Programme	30 Nov 16 (original)	The financial position and the overall cost to WCC is not readily clear.	Ensure that WCC operational budgets for 2016/17 reflect the correct income and expenditure profiles and these have been agreed with the LAG and project management board	Update 23 Feb 17: Staff and delivery costs can be claimed from the RPA. Partner contributions will be added in as they are known, recognising that this changes throughout the year, especially with in-kind contributions.
	01 Jan 17		Ensure that future budgets include an assessment of financial risk in terms of contract compliance	Update 23 Feb 17: Risk assessment for current programme in place.
	01 Oct 16	In order to adhere to RPA requirements, WCC are required to share	Review WCC protocols and practical arrangements to ensure they meet RPA contractual requirements and provide a	Update 23 Feb 17: Transferring information to LAG members remains a carefully managed but tricky issue with no easy solution. However, IMT

Review	Due Date	Summary Observation	Management Action(s)	Comments
		documentation with non-WCC employees, LAG members (volunteers), and third party 'contractors'.	suitable means for employees to deliver a successful and legally compliant programme	are working on a solution for this.
Procurement and Contract Management (Street Markets)	31 Dec 16	Staff managing the daily contract operations have not received contract management training, and rely on experience instead.	The AD (Estates & Regeneration) has 27 years experience in managing markets. The markets have grown from a turnover of £89,900 in 2009/10 to £361,000 in 2015/16, demonstrating just how closely the arrangements have been managed to the benefit of the City Council. Senior Estates Surveyor to undertake a Contract Management course in the forthcoming year.	Update 21 Feb 2017: The Senior Estates Surveyor has registered for a Contract Management Course developed by Southampton University, on line over three weeks, just waiting a commencement date.