

REPORT TITLE: GOVERNANCE SUMMARY REPORT: QUARTER 1 (2017/18)

28 SEPTEMBER 2017

REPORT OF PORTFOLIO HOLDER: CLLR ASHTON - PORTFOLIO HOLDER FOR FINANCE

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WARD(S): ALL

PURPOSE

To provide members of the Audit Committee with a summary overview of the key issues in respect of governance from the first quarter of the 2017/18 financial year.

RECOMMENDATIONS:

1. That the Committee notes the content of the report and the internal audit progress included in Appendix 1,
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:

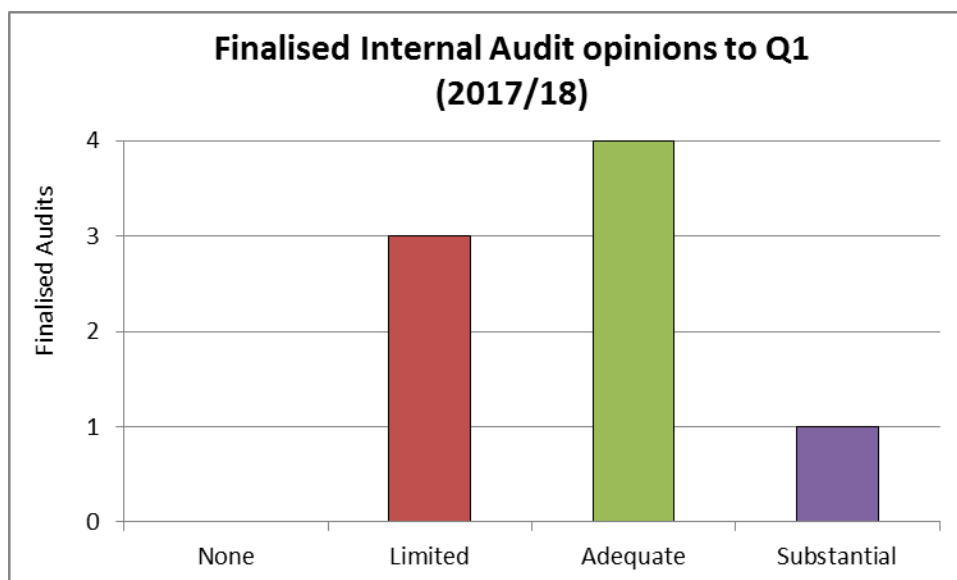
- 10.1 This report sets out the summary information in respect of the first quarter of the 2017/18 financial year concerning governance.

Annual Governance Statement

- 10.2 The Committee considered at its last meeting on 29 June 2017, the Council's Annual Governance Statement (AGS) for 2016/17 (Report [AUD190](#) refers).
- 10.3 Members commented at the meeting that they would welcome within the Statement the inclusion of the linkage between Internal Audit Actions and the Annual Governance Statement, with the officer roles and responsibilities for actions being better defined, and also the inclusion of timelines and deadlines so that points of slippage of actions could be identified.
- 10.4 Based on Members comments, officers have updated the AGS and Action Plan which is included in the Annual Financial of Accounts elsewhere on this Committee's agenda (Report AUD196 refers). Progress against the actions to manage these issues will be brought to the next meeting of the Committee.

Internal Audit assurance reports

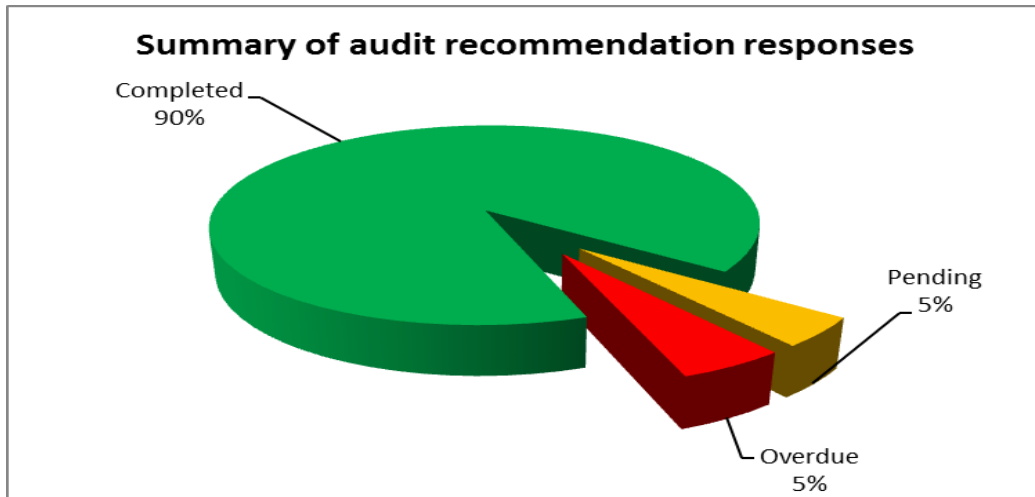
- 10.5 The graph below shows the assurance levels of internal audits completed in during the first quarter of 2017/18 and relate the 2016/17 Audit Plan.



- 10.6 The limited assurance reviews are in respect of Contract Management, Cash Office and Recruitment. All three audits were originally part of the 2016/17 Internal Audit Plan, and finalised during the first quarter of 2017/18.

Internal Audit Management Action Tracking

- 10.7 The graph below shows the current position (since 1 April 2015) of the progress of the management actions arising from internal audit reports. More detailed information is provided in the Internal Audit Progress Report included as Appendix 1.



- 10.8 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.
- 10.9 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.
- 10.10 The table below has been updated and includes only the internal audits where there are currently overdue actions.
- 10.11 There are currently 21 overdue audit actions of which none are high priority. This compares favourably to the 30 actions that were overdue at the same time last year, and in particular the 8 that were high priority at that time.
- 10.12 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.
- 10.13 Appendix 1 to this report includes the detailed Internal Audit Progress report provided by the Southern Internal Audit Partnership.

External Audit

- 10.14 For audits of the accounts from 2018/19, PSAA is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor arrangements.

- 10.15 Following approval by Council in January to opt into the National Scheme for Auditor Appointments with the PSAA as the appointing person (Report [AUD178](#) refers), the Council is now being consulted upon the appointment of Ernest & Young LLP as the Council's auditors for the five years from 2018/19.
- 10.16 Elsewhere on the Committee's agenda is the Audit Results Report for the Year Ended 31 March 2017 (Report AUD195 refers).

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
Covalent is currently showing 1 outstanding action (a reduction of two since the position was reported 29 June 2017 to Audit Committee) relating to audit reports issued prior to 2015.								
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)	22 (15)	2 (0)
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)	0 (0)	7 (1)	5 (0)
Disabled Facilities Grants	05/04/17	CD	Adequate	9 (2)	0 (0)	0 (0)	8 (2)	1 (0)
Recruitment	18/05/17	CX	Limited	6 (0)	0 (0)	2 (0)	1 (0)	3 (0)
Cash Office	19/05/17	HoF	Limited	11 (0)	0 (0)	0 (0)	10 (0)	1 (0)

The Corporate Risk Register

- 10.17 At its meeting on 26 April 2017, Cabinet approved the updated Risk Management Policy for 2017.
- 10.18 More recently, two workshops have now been held with Cabinet members and officers to review the risks that are to be included on the Council's Strategic Risk Register. The purpose of the workshop is to consider 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.
- 10.19 The following risks have been agreed 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
- 10.20 Officers are now populating a risk register for each of the above risks which will include a plan setting out actions required to mitigate or manage the risks in the future.
- 10.21 It is proposed to bring a detailed Strategic Risk Register back to this Committee at its meeting on 7 December 2017.

11 OTHER OPTIONS CONSIDERED AND REJECTED

- 11.1 None, this report is a summary of governance related items.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

[AUD188](#) Governance Summary Report: Q4 (2016/17)

Other Background Documents:-

None.

APPENDICES:

Appendix 1 Internal Audit Progress Report (August 2017)

Internal Audit Progress Report

August 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 2017].

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

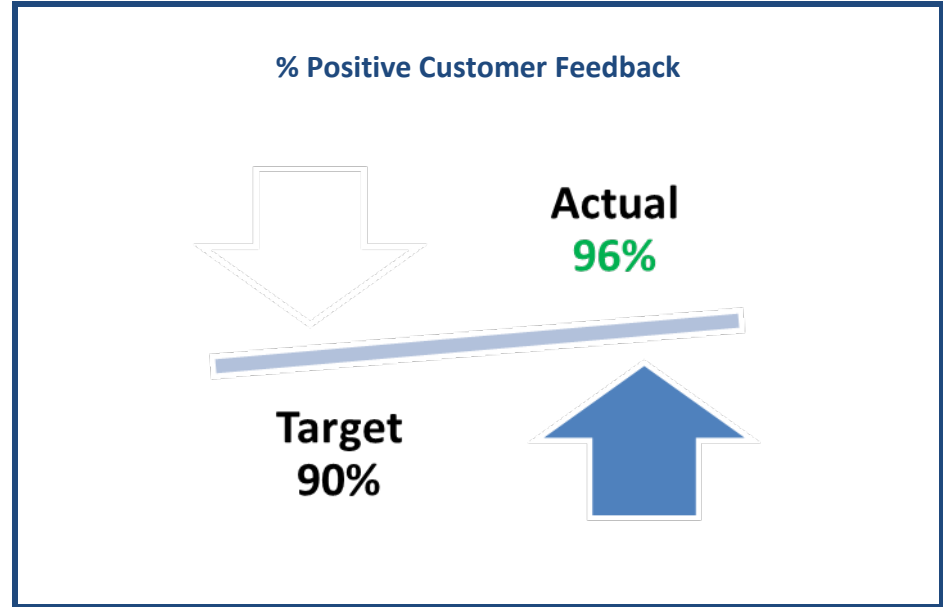
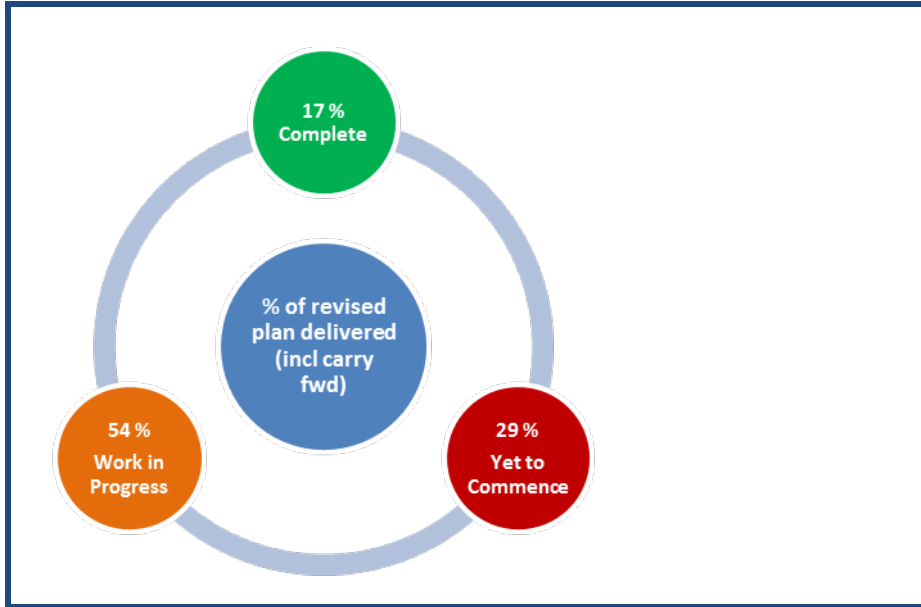
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

- 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).*

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.

4. Status of all 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions (‘High Priority’)				
				Reported	Not Accepted	Pending	Cleared	Overdue
Covalent is showing 1 outstanding action (a reduction of two since the position was reported 29 June 2017 to Audit Committee) relating to audit reports issued prior to 2015.								
Asset Management 2014/15	30/07/15	CX	Limited	11 (0)	0 (0)	0 (0)	11 (0)	0 (0)
Income Collection – Licensing	01/09/15	CD	Limited	8 (8)	0 (0)	0 (0)	8 (8)	0 (0)
Income Collection – Residential Parking Permits	04/11/15	CD	Limited	6 (0)	0 (0)	0 (0)	4 (0)	2 (0)
Training and Development	18/02/16	CX	Limited	11 (4)	0 (0)	0 (0)	9 (4)	2 (0)
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)	22 (15)	2 (0)
Procurement and contract management – Street Markets	18/08/16	CD	Limited	7 (4)	0 (0)	0 (0)	4 (4)	3 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions (‘High Priority’)				
				Reported	Not Accepted	Pending	Cleared	Overdue
Procurement and contract management – Housing Cleaning	17/08/16	CD	Limited	9 (1)	0 (0)	1 (0)	8 (1)	0 (0)
Ethical Governance	25/10/16	HoLDS	Adequate	12 (1)	0 (0)	0 (0)	7 (1)	5 (0)
Environmental Health	04/11/16	CD	Adequate	10 (9)	0 (0)	1 (0)	9 (9)	0 (0)
Capital	10/11/16	HoF	Adequate	2 (0)	0 (0)	0 (0)	2 (0)	0 (0)
Housing allocations	17/02/17	CD	Limited	15 (3)	0 (0)	0 (0)	15 (3)	0 (0)
Data security and management	21/02/17	CPS	Adequate	1 (0)	0 (0)	1 (0)	0 (0)	0 (0)
Information governance	28/03/17	CPS	Adequate	11 (1)	0 (0)	7 (1)	4 (0)	0 (0)
Disabled Facilities Grants	05/04/17	CD	Adequate	9 (2)	0 (0)	0 (0)	8 (2)	1 (0)
Recruitment	18/05/17	CX	Limited	6 (0)	0 (0)	2 (0)	1 (0)	3 (0)
Cash Office	19/05/17	CPS	Limited	11 (0)	0 (0)	0 (0)	10 (0)	1 (0)
Payroll	25/05/17	CPS	Adequate	1 (1)	0 (0)	0 (0)	1 (1)	0 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions (‘High Priority’)				
				Reported	Not Accepted	Pending	Cleared	Overdue
Contract management (Leisure, Waste Management and Street Cleansing)	29/06/17	CD	Limited	9 (4)	0 (0)	5 (3)	4 (1)	0 (0)
Telecommunications	05/07/17	CDPS	Adequate	8 (0)	0 (0)	1 (0)	7 (0)	0 (0)
Procurement	14/07/17	CDPS	Adequate	4 (0)	0 (0)	0 (0)	4 (0)	0 (0)

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

There are no new reports published concluding a 'Limited' or 'No' assurance opinion.

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 Part 2 Requirements - Fraud	01.04.17 - 31.07.17
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	14 days ***
Total number of new 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.'*

***relates to SIAP staff only and includes time spent on proactive fraud initiatives to identify or prevent potential fraud that may not result in a formal investigation or prosecution.

7. Planning & Resourcing

The internal audit plan for 2017-18 was approved by the Council's Management Team and the Audit Committee in March 2017.

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									
Climate change / energy management	CD	✓	✓	✓	✓			ⓧ	16/17 Annual Opinion. Draft issued 17/05/17. Report not signed off.
Contract management (Leisure, Waste Management and Street Cleansing)	CD	✓	✓	✓	✓	✓	Limited	✓	16/17 Annual Opinion
Vanguard Governance	CDPS	✓	✓	✓	✓	✓	n/a	✓	Advice/Consultancy

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Procurement	CDPS	✓	✓	✓	✓	✓	Adequate	✓	16/17 Annual Opinion
Telecommunications	CDPS	✓	✓	✓	✓	✓	Adequate	✓	16/17 Annual
Housing planned maintenance	CD	✓	✓	✓	✓			✗	16/17 Annual Opinion. Draft report 19/05/17. Management response outstanding
2017-18 Reviews									
Strategic Risks									
Programme & Project Management									
Transformation									
Financial Stability									
LGA Peer Review – Follow up	CX	✓	✓					✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Corporate Strategy - Delivering an Entrepreneurial approach to efficient public services									
Income generation and collection									
Working in Partnership		✓	✓	✓	✓			✓	
Housing Finance		✓	✓	✓				✓	
Housing Asset Management		✓	✓	✓	✓			✓	
Environmental Services Contract (joint with EHDC)									
Business Continuity & Emergency Planning		✓	✓	✓				✓	
Corporate governance									
HR		✓	✓	✓				✓	
CIPFA/Tecaff Fraud Survey		-	-	✓	n/a	✓	n/a	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Proactive Fraud Initiatives (Social Housing)		✓	✓	✓				✓	
Proactive Fraud Initiatives (Fraud Risk Register/Analytics)									
Proactive Fraud Initiatives (Training)									
National Fraud Initiative (NFI)		-	-	✓				✓	
Procurement									
Information Governance		✓	✓	✓				✓	
Core Financial Reviews									
<u>Housing Benefits</u>									
Accounts Receivable/ Debt Management		✓	✓	✓				✓	
Treasury Management		✓						✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
NDR		✓							
VAT Recording – Employee expenses	CDPS	✓	✓	✓	✓	✓	n/a	✓	Advice/Consultancy
ICT									
Software licencing / management of assets		✓	✓						
Network management									
Cyber security		✓	✓	✓	✓			✓	
Business As Usual									
Bus Service Operator Grant		-	-	✓				✓	
Housing Capital Receipts Return		-	-	✓				✓	
Mayor's Charity		-	-	✓				✓	