



Meeting	Audit Committee
Date and Time	Thursday, 7th March, 2019 at 6.30 pm.
Venue	Walton Suite, Guildhall, Winchester

AGENDA

PROCEDURAL ITEMS

1. Apologies and Deputy Members
To note the names of apologies given and Deputy Members who are attending the meeting in place of appointed Members.
2. Disclosure of Interests
To receive any disclosure of interests from Members and Officers in matters to be discussed.

Note: Councillors are reminded of their obligations to declare disclosable pecuniary interests, personal and/or prejudicial interests in accordance with legislation and the Council's Code of Conduct.

If you require advice, please contact the appropriate Democratic Services Officer, prior to the meeting.

3. Minutes of the Previous Meeting held on 29 November 2018 (Pages 5 - 8)
4. Chairman's Announcements

BUSINESS ITEMS

5. Public Participation
To receive and note questions asked and statements made from members of the public on matters which fall within the remit of the Committee.
6. Governance Quarterly Update Quarter 3 AUD225 (Pages 9 - 34)
7. Internal Audit Plan 2019 - 20 AUD227 (Pages 35 - 58)
8. Internal Audit Charter 2019 - 20 AUD226 (Pages 59 - 72)



9. Local Code of Governance 2019 - 20 AUD228 (Pages 73 - 94)
10. Planning for and the audit of 2019 - 20 Accounts AUD229 (Pages 95 - 136)
11. EY Certification of claims and returns AUD230 (Pages 137 - 146)

L Hall
Head of Legal Services (Interim)

Members of the public are able to easily access all of the papers for this meeting by opening the QR Code reader on your phone or tablet. Hold your device over the QR Code below so that it's clearly visible within your screen and you will be redirected to the agenda pack.



27 February 2019

Agenda Contact: Dave Shaw Principal Democratic Services Officer
Tel: 01962 848221 email: dshaw@winchester.gov.uk

MEMBERSHIP

Audit Committee

Councillor Cutler (Chairman)
Councillor Huxstep (Vice Chairman)

Cllr Bentote
Cllr Burns
Cllr Mather
Cllr Power
Cllr Stallard

Quorum = 4 members

TERMS OF REFERENCE

Audit Committee – Included within the Council's Constitution (Part 3, Section 2)

PUBLIC PARTICIPATION

A public question and comment session is available at 6.30pm for a 15 minute period. There are few limitations on the questions you can ask. These relate to current applications, personal cases and confidential matters. Please contact Democratic Services on 01962 848 264 in advance of the meeting for further details. If there are no members of the public present at 6.30pm who wish to ask questions or make statements, then the meeting will commence.

DISABLED ACCESS:

Disabled access is normally available, but please phone Democratic Services on 01962 848 264 or email democracy@winchester.gov.uk to ensure that the necessary arrangements are in place.

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AUDIT COMMITTEE

29 November 2018

Attendance:

Councillors
Cutler (Chairman)

Bentote
Burns
Huxstep

Mather
Power
Stallard

Other Members in attendance:

Councillor Ashton – Portfolio Holder for Finance

Apologies:

Councillor Horrill – Leader and Portfolio Holder for Housing

1. **MINUTES**

RESOLVED:

That the minutes of the previous meeting held on 31 July 2018 be approved and adopted.

2. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman welcomed three members of the public to the meeting.

The Chairman informed the meeting that a Treasury Management Briefing delivered by Arlingclose, Treasury Management advisors, had taken place at the offices of Hampshire County Council on 27 November 2018 and had been attended by a number of members of the Committee. The Chairman had also recently attended a seminar organised by Ernst and Young for audit committee chairs. Issues discussed included Brexit and its potential effects on strategic asset purchase and borrowing.

Training for Audit Committee members and other members of Council would take place on the 15 January 2019 with Treasury Management and the Budget being considered. The training scheduled for the 29 January 2019 would now be utilised for alternative Council training.

3. **GOVERNANCE QUARTERLY UPDATE - QUARTER 2 2018/19**

(Report AUD220 refers)

The Strategic Director: Resources and Mr Harvey from the Southern Internal Audit Partnership presented this item.

In reply to Members' questions, the Corporate Business Manager stated that the delay in clearing the overdue action arising from the limited assurance opinion in respect of the Hampshire Cultural Trust related to the signing of leases by the Trust. Although the lease was being paid for by the Trust, staff changes at the Trust had delayed the signing of the lease and the Council's Estates Department was providing assistance to the Trust to resolve this matter. Mr Harvey added that the Mayor's Charity was subject to an audit review as part of its annual certification.

RESOLVED:

That the content of the Report and the progress against the Internal Audit Plan and Annual Governance Statement as set out in Appendices 1 and 2 be noted.

4. **MANAGING PROJECT RISKS**
(Report AUD222 refers)

The Strategic Director: Place gave a presentation on the methods the Council used to manage risks.

In answer to Members' questions, the Strategic Director: Place and the Strategic Director: Resources answered Members' questions as follows:

- (i) The Corporate Risk Register considered the accumulative risk of a number of individual risks occurring at the same time. Risks that were common in all projects would filter through to the Corporate Risk Register.
- (ii) The methodology used in the risk proximity score indicated how immediate the risk was and considered the impact on revenue rather than the longer term impact, for example on construction. It was commented by a Member that a higher level risk management tool was required to span the 40 year horizon of a project to adequately cover the longer term period.
- (iii) The Corporate Risk Register took into consideration risks of partnerships, including private sector contractor risks. This would include the potential default of an operator, including for example the operator of the new leisure centre.
- (iv) The Council's risk appetite was included in the risk register and included all potential risk options including that a project was not financially viable. The Council could look at each stage at the risks and could also look to see if the current controls needed to be stronger. The Cabinet Committees also considered projects from outline to full business stage and ensured that project gateways and stop points were included as well as preventing mission creep that increased costs. In addition, each project had its own project board that met monthly.

Councillor Ashton commented that the date of commencement of construction of the sport and leisure centre project had been delayed resulting in a slippage against the schedule as The Overview and Scrutiny Committee had requested a Facilities Needs

Appraisal. There were no new risks resulting and this matter had been considered by the Cabinet (Leisure Centre) Committee. The full business case, including the risks associated with the partner operator would be known by February 2019. The risk of the project programme/project delivery being delayed was risk number 6 in the Winchester Sport and Leisure Centre Project Risk Register and was constantly reviewed. The informal meetings of the project groups were cross political party and the notes of meetings were available to Members.

The Chairman commented that the likely scenarios associated with Brexit were a possible matter for consideration within the Corporate Risk Register.

RESOLVED:

That the Report be noted.

5. **LOCAL GOVERNMENT ASSOCIATION CORPORATE PEER CHALLENGE**
(Report AUD224 refers)

The Committee noted that the Report had not been notified for inclusion within the statutory deadline. The Chairman agreed to accept the item onto the agenda as a matter requiring urgent consideration to enable the Committee to consider the conclusions of the Corporate Peer Challenge Follow up Visit.

The Strategic Director: Resources introduced the report.

In reply to Members' questions the Strategic Director: Resources responded that:

- (i) The timetable for the submission of the revised Constitution for Member scrutiny was in the process of being decided upon. The revised draft would be available in December and a joint meeting of the Audit Committee and The Overview and Scrutiny Committee would be held early in the New Year.
- (ii) The new People Strategy/Workforce Plan was explained including the review of business travel, effects of staff turnover and increases in staff absence attributed to stress. As part of the delivery of the Council Strategy staff would be recruited to support different stages of the life of a project through fixed term contracts. The Council would aim to be a flexible employer to compete in the recruitment market and a recent Personnel Committee paper set out plans to deliver this.
- (iii) A Transformation Programme would commence in February 2019 with service reviews. The action plan would be progressed in conjunction with staff, with staff briefings being held. A Staff Forum was also being established and other measures put in place to help ensure that services were efficient and effective and that staff were clear on the direction of travel of the Council.
- (iv) The Residents Survey was currently being procured and would be launched in January 2019.

- (v) An update on progress against the peer review action plan would be included in the Quarter 3 Governance Monitoring Report in March 2019.

RESOLVED:

That the comments made by the LGA Peer Challenge Team as set out in Appendix 1 of the Report be noted.

6. **ANNUAL AUDIT LETTER 2017/18**
(Report AUD221 refers)

The Strategic Director: Resources introduced the report and answered Members' questions relating to trading companies and also to the proposed future changes to accounting standards, including IFRS 9 Financial Instruments, and whether the changes would result in extra work for the Council.

RESOLVED:

That the Annual Audit Letter 2017/18 be accepted.

7. **TREASURY MANAGEMENT MID-YEAR MONITORING REPORT FOR 2018/19**
(Report AUD223 refers)

Andrew Boufflower, Deputy Investment and Borrowing Manager (Hampshire County Council) introduced the report.

In answer to Members' questions, it was stated that the return of 1.04% on long-term investments referred to in table 4 of the Report would be clarified. Subsequent to the meeting it was confirmed that the return of 1.04% was correct, but the two percentage figures had not been updated; instead of 0.94% and 0.86% for the rates at 30.09.2018 they should have stated 1.06% and 1.03%.

The Committee debated whether the Council was too risk averse in its investment strategy. The Strategic Director: Resources commented that the Council required cash to fund its capital programme, and the funding of the capital programme would reduce balances in the forthcoming months.

Councillor Ashton added that the Council did have investments in higher risk assets that increased investment returns. Cash was also used to reduce borrowing which had a positive effect in combating inflation.

RESOLVED:

That the Treasury Management Mid Year Monitoring Report 2018/19 be noted.

The meeting commenced at 6.30 pm and concluded at 8.30 pm

Chairman

REPORT TITLE: GOVERNANCE QUARTERLY UPDATE – Q3 2018/19

7 MARCH 2019

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): ALL

PURPOSE

To provide members of the Audit Committee with a summary overview of the key issues in respect of governance arising during the third quarter of the 2019/20 financial year.

RECOMMENDATIONS:

1. That the Audit Committee notes the content of the report and the progress against the Internal Audit Plan, the Annual Governance Statement and LGA Peer Review Action Plan as set out in the Appendices.

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 requiring action.

2 FINANCIAL IMPLICATIONS

- 2.1 None identified.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None identified.

4 WORKFORCE IMPLICATIONS

- 4.1 None.

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 None.

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 None required.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Reputation – ensuring that an effective governance framework is in place and followed</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.

11 SUPPORTING INFORMATION:

- 11.1 This report sets out the summary information in respect of the third quarter of the 2018/19 financial year concerning governance.

Annual Governance Statement

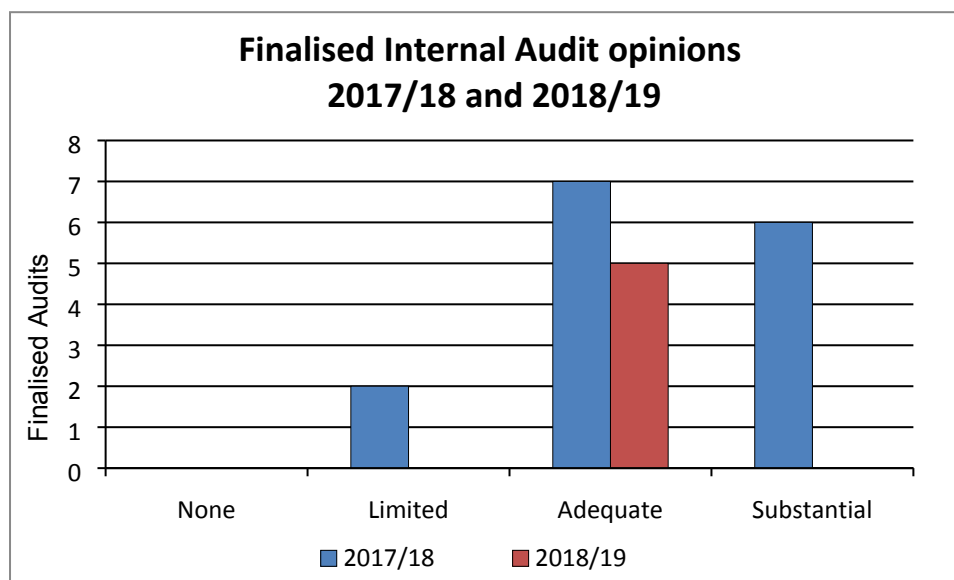
- 11.2 Progress against the actions included in the 2017/18 Annual Governance Statement is included in Appendix 2 to this report.

Gifts and Hospitality

- 11.3 During the period October to December 2018, there were fifteen declarations by members or officers having received gifts and hospitality.
- 11.4 This information will continue to be updated in future quarterly Governance reports.

Internal Audit assurance reports

- 11.5 The graph below shows the assurance levels of the completed internal audits that were included in the 2017/18 and 2018/19 Audit Plans.



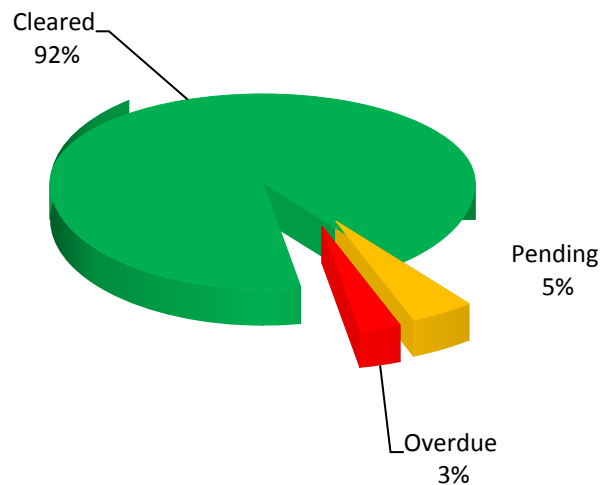
- 11.6 The limited assurance opinions issued during 2017/18 were in respect of two audits completed and these were for Partnership Working and Business Continuity. There have been no audit reports published during 2017/18 or 2018/19 that concluded with a “no” assurance opinion.

Internal Audit Management Action Tracking

- 11.7 The chart 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 to this report.

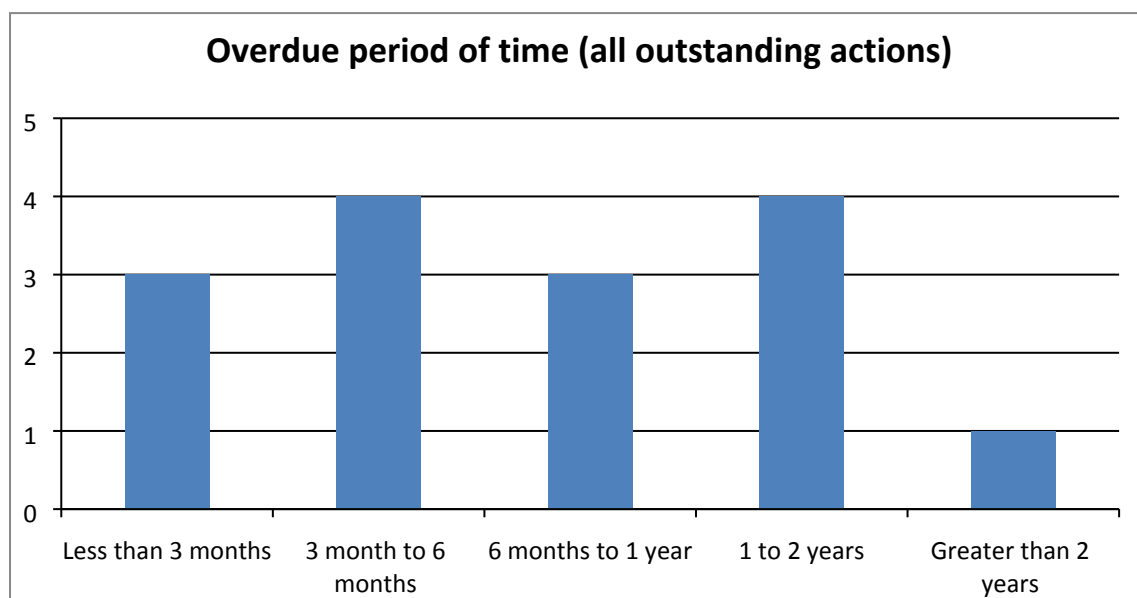
Summary of audit recommendation responses



- 11.8 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. These recommendations and actions are kept under regular review to assess where some are superseded by external or internal factors.
- 11.9 To support the Committee to quickly identify where there are overdue actions, the progress table on the next page includes only the audits where there are overdue actions. It remains a priority for officers to focus on completing their actions within the agreed timescales and progress continues to be made to reduce the total number of overdue actions.
- 11.10 The table below has been updated and includes only the internal audits where there are currently overdue actions.
- 11.11 There are currently 15 overdue audit actions with no high priority overdue actions.
- 11.12 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.
- 11.13 The more detailed Internal Audit Progress report provided by the Southern Internal Audit Partnership is included in Appendix 1 to the report.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Hampshire Cultural Trust	24/05/16	SDP	Limited	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Information Governance	28/03/17	SDR	Adequate	11 (1)	0 (0)	1 (0)	7 (1)	3 (0)
Development Management	17/05/17	SDS	Substantial	1 (0)	0 (0)	0 (0)	0 (0)	1 (0)
Recruitment	18/05/17	SDR	Limited	6 (0)	0 (0)	0 (0)	4 (0)	2 (0)
Cyber Security	27/09/17	SDR	Limited	5 (1)	0 (0)	0 (0)	4 (1)	1 (0)
IT Software Licensing and IT Asset Management	12/03/18	SDR	Adequate	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Housing Planned Maintenance	01/05/18	SDS	Adequate	2 (0)	0 (0)	0 (0)	1 (0)	1 (0)
Income Generation and Collection	11/06/18	SDR	Adequate	8 (0)	0 (0)	0 (0)	5 (0)	3 (0)
Procurement	12/07/18	SDR	Adequate	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Risk Management	26/10/18	SDR	Adequate	6 (2)	0 (0)	0 (0)	5 (2)	1 (0)

- 11.14 Committee members previously requested a chart be included in future quarterly governance monitoring reports that show the period of time that the outstanding audit management actions have been overdue.
- 11.15 There are currently 15 overdue actions and the chart below provides details of amount of time that has lapsed since the target date for these actions.



- 11.16 The chart above shows there is one management action that is over two years overdue. This action refers to the 2016/17 audit that reviewed the transfer between the Council and the Hampshire Cultural Trust.

External Audit

- 11.17 The External Auditor's Annual Certification of Claims and Returns for 2017/18 included elsewhere on this Committee's agenda (report AUD230 refers) provides a summary of the work undertaken by the auditors on the 2017/18 Housing Subsidy Claim.

LGA Peer Challenge Follow Up

- 11.18 At the last meeting of this Committee, members were presented with a report that provided feedback from the follow up undertaken by the LGA Peer Challenge Team in September 2018.
- 11.19 Attached as Appendix 3 to this report is an update on the progress that the Council has achieved in responding to the issues identified by the Peer Challenge Team.
- 11.20 The progress report shows that the Council has completed all of the actions that it set out to deliver and before the end of the current financial year.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD220 Governance Quarterly Update – Q2 2018/19

Other Background Documents:-

None

APPENDICES:

Appendix 1 Internal Audit Progress Report

Appendix 2 Annual Governance Statement (AGS) Monitoring Report

Appendix 3 – LGA Peer Challenge Follow-Up – Progress Report

Internal Audit Progress Report

February 2019

Winchester City Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

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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 organisation’s 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:

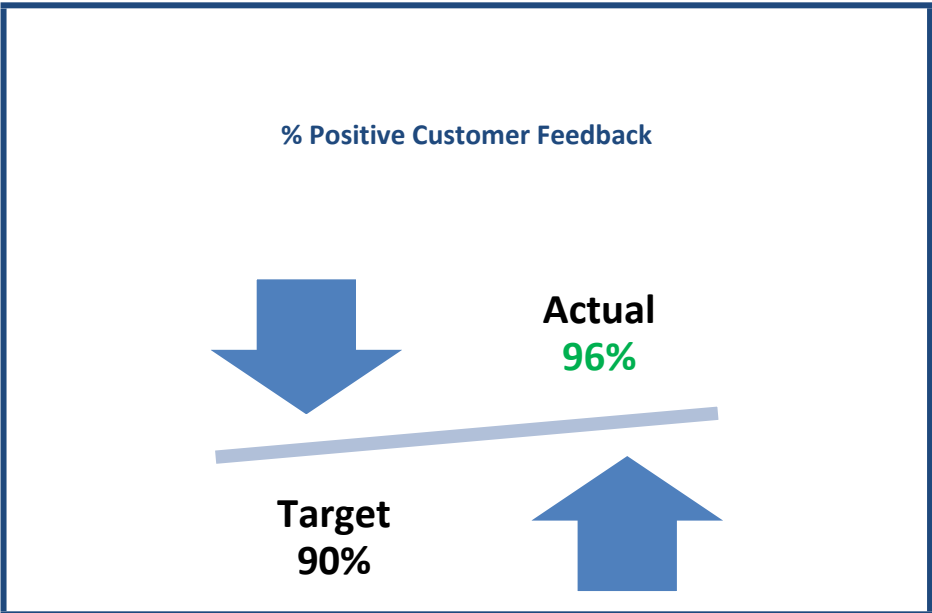
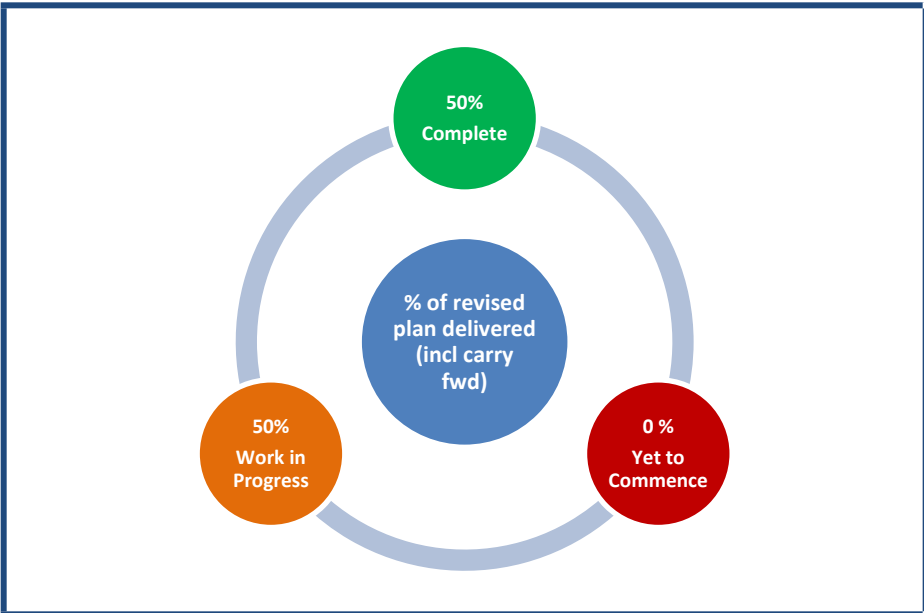
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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

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Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
	<p>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:</p> <p><i>'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).</i></p> <p>In accordance with PSIAS, a further self assessment was completed in April 2018 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.</p>

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Hampshire Cultural Trust	24/05/16	SDP	Limited	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Ethical Governance	25/10/16	SDR	Adequate	12 (1)	0 (0)	0 (0)	12 (1)	0 (0)
Information Governance	28/03/17	SDR	Adequate	11 (1)	0 (0)	1 (0)	7 (1)	3 (0)
Development Management	17/05/17	SDS	Substantial	1 (0)	0 (0)	0 (0)	0 (0)	1 (0)
Recruitment	18/05/17	CX	Limited	6 (0)	0 (0)	0 (0)	4 (0)	2 (0)
Cyber Security	27/09/17	SDR	Adequate	5 (1)	0 (0)	0 (0)	4 (1)	1 (0)
Working in Partnership	05/10/17	SDP	Limited	6 (0)	0 (0)	2 (0)	4 (0)	0 (0)
IT Software Licensing and IT Asset Management	12/03/18	SDR	Adequate	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Network Management	26/04/18	SDR	Adequate	10 (0)	0 (0)	0 (0)	10 (0)	0 (0)
Business Continuity	30/04/18	SDS	Limited	9 (2)	0 (0)	8 (1)	1 (1)	0 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Housing Planned Maintenance	01/05/18	SDS	Adequate	2 (0)	0 (0)	0 (0)	1 (0)	1 (0)
Income Generation and Collection	11/06/18	SDR	Adequate	8 (0)	0 (0)	0 (0)	5 (0)	3 (0)
Procurement	12/07/18	SDR	Adequate	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Risk Management	26/10/18	SDR	Adequate	6 (2)	0 (0)	0 (0)	5 (2)	1 (0)
Asset Management	04/01/19	SDP	Adequate	3 (0)	0 (0)	2 (0)	1 (0)	0 (0)
HR – Expenses	30/01/19	SDR	Adequate	3 (0)	0 (0)	0 (0)	3 (0)	0 (0)
Digital Agenda	05/02/19	SDR	Adequate	3 (0)	0 (0)	3 (0)	0 (0)	0 (0)
Affordable Housing	12/02/19	SDS	Adequate	7 (1)	0 (0)	5 (0)	2 (1)	0 (0)

Audit Sponsor (Director)	
Chief Executive	CX
Strategic Director - Resources	SDR
Strategic Director - Services	SDS

Audit Sponsor (Director)	
Strategic Director – Place	SDP

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	01.04.18 – 31.01.19
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	3 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	5 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	45 days***
Total number of new fraud cases investigated	1 **

*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 2018-19 was approved by the Council’s Management Team and the Audit Committee in March 2018.

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 2017-18									
Income Generation and Collection	SDR	✓	✓	✓	✓	✓	Adequate	✓	17/18 Annual Opinion
HR	SDR	✓	✓	✓	✓	✓	n/a	✓	Position Statement
Procurement	SDR	✓	✓	✓	✓	✓	Adequate	✓	17/18 Annual Opinion
Information Governance	SDR	✓	✓	✓	✓	✓	n/a	✓	Position Statement

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Housing Benefits	SDR	✓	✓	✓	✓	✓	Substantial	✓	17/18 Annual Opinion
2018-19									
Strategic risks									
Programme & Project Management	SDP	✓	✓	✓	✓	✓	n/a	✓	Position Statement
Transformation	SDR	✓	✓	✓	✓	✓	n/a	✓	Position Statement
Financial Stability	SDR	✓	✓					✓	
Corporate Strategy									
Delivering an Entrepreneurial approach to efficient public services									
Asset Management	SDP	✓	✓	✓	✓	✓	Adequate	✓	
Digital Agenda	SDR	✓	✓	✓	✓	✓	Adequate	✓	
Delivering Quality Housing options									

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Affordable Housing	SDS	✓	✓	✓	✓	✓	Adequate	✓	
Governance									
HR - Expenses	SDR	✓	✓	✓	✓	✓	Adequate	✓	
HR – Use of Agency Staff	SDR	✓	✓	✓				✓	
National Fraud Initiative (NFI)	SDR	✓	n/a	✓				✓	
Proactive Fraud Initiative (Training & Awareness)	SDR	✓	n/a	✓	n/a	n/a	n/a	✓	
Proactive Fraud Initiative (Social Housing)	SDS	✓	✓	✓				✓	
Contract Management	SDR	✓	✓					✓	
Health & Safety	SDP	✓	✓	✓				✓	
GDPR Compliance	SDR	✓	✓	✓				✓	
Core Financial Systems									

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Housing Rents	SDS	✓	✓	✓	✓			✓	
Main Accounting	SDR	✓	✓	✓	✓			✓	
IT									
Applications management	SDR	✓	✓	✓	✓			✓	
Data security and management	SDR	✓	✓	✓	✓			✓	
Mobile devices	SDR	✓	✓	✓				✓	
Business as Usual									
Bus Service Operator Grant	SDS	✓	✓	✓	-	-	-	✓	Grant certification work
Mayor’s Charity	SDR	✓	n/a					✓	Certification work
Risk Management	SDR	✓	✓	✓	✓	✓	Adequate	✓	
Licensing	SDS	✓	✓	✓				✓	

9. Adjustments to the plan

Previously reported adjustments:-

The Human Resources audit has been split into two reviews, focussing on 'Expenses' and the 'Use of Agency Staff' respectively, with no change to the overall audit plan days.

New adjustments:-

Due to a change in Ministry of Housing grant conditions/requirements, Internal Audit can no longer complete the Housing Capital Receipts Return and this has been removed from the plan.

The Environmental Services Contract audit has been postponed due to in year changes leading to the decision to extend the contract for one year to enable a full procurement exercise to take place.

The Development/Building Control review is postponed as this area is subject to an external ISO 9001:2015 LABC Quality Management System audit in February 2019 – internal audit seeks to place reliance on other assurance work where appropriate in order to reduce and remove duplication where possible. The outcomes of this audit will be considered for future inclusion in the audit plan.

Annual Governance Statement 2017/18

Progress Report – February 2019

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
1	Asset Management – the need to ensure that the Council has the capacity and skills to deliver the approved Asset Management Plan.	Regular monitoring and reporting of the progress against the actions in the Asset Management Action Plan to be undertaken.	All assets are recorded on the asset register database and works carried out are also recorded on Uniform system to allow ongoing monitoring and reporting of works. Then updated Asset Management Plan for the period 2016-2021 was considered by The Overview and Scrutiny Committee on 25 February 2019 (Report OS223 refers)	Corporate Head of Asset Management	Ongoing	Green
		Internal Audit planned for 2018/19 to review the assurance over effectiveness and delivery of Asset Management Plan including repairs and maintenance to non-housing assets (planned and reactive)	Audit report issued on fieldwork completed and final report issued on 4 January 2019 with adequate opinion.	Corporate Head of Asset Management	Audit to be carried out during Q2 of 2018/19	Complete
2	Project Governance and Reporting – ensuring that each of the Council's significant projects follow the agreed project governance policy.	Refresh the progress monitoring reports for the Council's significant projects	Monthly programme and project monitoring reports updated to new style and layout.	Strategic Director: Resources	June 2018	Complete
		Agree the governance arrangements for managing the Councils significant projects and set out in a new Project Governance Policy	Project Gateways now established and defined alongside governance arrangements for the approval of projects to pass through the gateways.	Strategic Director: Resources	September 2018	Green

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
		Ensure that all significant projects follow the arrangements as set out in the Project Governance Policy.	Programme Management Group (PMG) has responsibility for ensuring that all projects follow the new established governance arrangements	Strategic Director: Resources	October 2018	Green
		Internal Audit scheduled to take place in Q3 2018/19 covering Programme and Project Management. This audit was deferred from the 2017/18 Audit Plan	Audit complete and Position Statement issued on 4 February 2019	Strategic Director: Resources	December 2018	Complete
3	Contract Management – ensuring that the Council maintains a comprehensive, publicly accessible contract register, following its own contract procedure rules.	Ensure that a comprehensive contract register of all contracts over £5,000 is maintained and available to the public.	There has been increase in the numbers of contracts added to the Council's contract register which is held on the South East Business Portal and is available for viewing by the public.	Strategic Director: Resources	Ongoing	Green
4	Corporate Peer Review Action Plan	Completion of the actions included in the 2017 Corporate Peer Challenge Action Plan , including a review of political structures and developing a shared understanding of the financial challenges ahead	LGA Peer Challenge follow-up review took place over two days during September 2018. A report summarising the follow-up visit is included on this Committee's agenda (Report AUD224 refers). An update on the action plan is included as Appendix 3 to this report.	Strategic Director: Resources	October 2017	Complete

LGA PEER CHALLENGE – FOLLOW UP ACTION PLAN

Progress Update – February 2019

No.	Issue	Actions	Target Date	Lead Officer	Current Status	Progress Update
1	Develop an evidence-based approach to the council’s understanding of the views and needs of the whole community - This will help balance strong local opinion and reinforce the decision-making process	Undertake Residents’ Survey to understand the opinion and views of our residents.	February 2019	Corporate Head of Strategic Support	Complete	Resident’s and Young Persons survey launched on 24 January 2019, with results expected early March
2	Be clear about how WCC is approaching transformation, entrepreneurialism and digital - ensure ambitions are understood by members and staff and supported with appropriate skills and technology	Create a Transformation Programme for the Council that supports its aims and ambition including that of being entrepreneurial in its approach	February 2019	Strategic Director Resources	Complete	Following findings from customer service scoping exercise undertaken by iESE, a two-year service improvement programme called CustomerSMART, incorporating both customer and digital elements has been launched across the Council.
3	Clarify roles, responsibilities and accountabilities. Staff structures seem confusing and, whilst they support effective service delivery, they inhibit collaborative and ‘horizontal’ working.	Review the Constitution with the remit focussed on <ul style="list-style-type: none"> ▪ Effective and efficient decision making ▪ Effective contribution to policy development and pre-scrutiny ▪ Greater clarity on delegations between members and officers ▪ Build on existing review of 	March 2019	Strategic Director: Resources	Complete	Joint Overview & Scrutiny and Audit Committee scheduled for 19 February to consider the revised Constitution document before being adopted by Council on 19 March

No.	Issue	Actions	Target Date	Lead Officer	Current Status	Progress Update
		PHDs to make these more effective <ul style="list-style-type: none"> ▪ Clarity of financial rules of procedure ▪ Build on effective member briefing/policy briefings 				
		Review and refresh member/officer protocol to help clarify what is expected of members and officers and how they work together.	March 2019	Strategic Director: Resources	Complete	Review undertaken and refresh included in draft new Constitution.
4	Strengthen programme and project management – The council’s Programme and Project Management Office needs to be suitably placed within the organisation and empowered to deliver and hold others to account.	Review the approval process for new projects, ensuring that the process considers the resources required to manage the project through to completion.	December 2018	Strategic Director: Resources	Complete	New projects are now considered by Programme Management officer group before being accepted onto the Project Register.
		Implement clear Gateway process for the management of projects as they move through the project cycle.	November 2018	Strategic Director: Resources	Complete	Gateway process for managing projects agreed by Programme Management officer group.
5	Use the new People Strategy/Workforce Plan to address concerns that the council has the capacity but lacks the skills to deliver , alongside new approaches to pay and reward, to ensure the council can attract the right people and to blend internal and external expertise	Review WCC salary scales against nearest neighbours and make adjustments to ensure the Council can continue to attract high calibre, skilled staff	November 2018	Strategic Director: Resources	Complete	Report PER318 (22 November 2018) recommended enhancements to annual leave and new salary scales for staff that would enable the Council to remain competitive

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REPORT TITLE: INTERNAL AUDIT PLAN 2019/20

7 MARCH 2019

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

Contact Officer: Antony Harvey Tel No: 01962 845 701 Email antony.harvey@hants.gov.uk

WARD(S): ALL

PURPOSE

The purpose of this report is to provide the Audit Committee with the Internal Audit Plan (Appendix 1).

The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

The Plan takes cognisance of the Council's Corporate Risk Register and recently refreshed Council Strategy and will remain fluid to the changing needs of the Council.

RECOMMENDATIONS:

1. That the Committee approves the Internal Audit Plan for 2019/20 as set out in Appendix 1.

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

- 1.1 Internal audit plays a vital role in supporting the Council accomplish its strategic outcomes and service plan objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2 FINANCIAL IMPLICATIONS

- 2.1 The Internal Audit Plan for 2019/20 comprises a total of 310 resource days and the anticipated cost for the financial year is £94,500.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None identified.

4 WORKFORCE IMPLICATIONS

- 4.1 None.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 The Portfolio Holder for Finance and Strategic Director: Resources have been consulted on the contents of the Audit Plan for 2019/20.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None required.

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 None required,

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Financial / VfM</i>	Internal audit supports the Council to ensure proper financial management through its audit activities and assurance service	None.

11 SUPPORTING INFORMATION:

- 11.1 The aim of internal audit's work programme is to provide independence and objective assurance to management, in relation to the business activities, systems or processes under review that:
- The framework of internal control, risk management and governance is appropriate and operating effectively; and
 - Risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.
- 11.2 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.
- 11.3 The Internal Audit Plan has been developed in consultation with officers, taking cognisance of the Council's risk register and the Council Strategy 2017-20.
- 11.4 The Audit Plan will remain fluid and subject to on-going review in consultation with the relevant officers at the Council, to ensure that it continues to reflect the needs of the organisation. Any amendments to the Plan will be identified through the Chief Internal Auditor's continued contact and liaison with those responsible for governance at the Council.
- 11.5 The Council's 'Internal Audit Charter' ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal audit opinion. Significant matters that jeopardise the delivery of the Plan, or require changes to the Plan will be identified, addressed and reported to the Audit Committee

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 None

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

Other Background Documents:-

None.

APPENDICES:

Appendix 1 Internal Audit Plan 2019/20

Internal Audit Plan

2019-20

Winchester City Council



Southern Internal Audit Partnership

A large green graphic element consisting of a thick vertical bar on the left that curves into a horizontal bar extending to the right.

Assurance through excellence
and innovation

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Introduction

The role of internal audit is that of 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 organisation's objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities, systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council's objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Strategic Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Antony Harvey, Deputy Head of the Southern Internal Audit Partnership, supported by Bev Davies, Audit Manager.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2015 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

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 these principles. **This performance is within the top decile of EQA reviews we have performed.** This is a notable achievement given the breadth of these Standards and the operational environment faced by SIAP.'*

*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.'*

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

Council Vision

The 'Council Strategy', refreshed in December 2018, outlines Winchester City Council's key ambitions over three years (2017-2020) including the actions, commitments and measures to deliver overall outcomes by March 2020. The Strategy outlines four strategic outcomes and is underpinned by the Council adopting an entrepreneurial approach to how it delivers services and secures its medium-term financial strategy:

1 Winchester District will be a premier business location	2 Delivering quality housing options	3 Improve the health and happiness of our community	4 Improving the quality of the District's environment
<p>1a - Promote a sustainable economy by enabling major regeneration schemes</p> <p>1b - Prioritise support for the knowledge-based, creative and tourism sectors</p> <p>1c - Utilise our environment to drive business growth and create employment opportunities across the District</p> <p>1d - Work with strategic partners to deliver digital infrastructure projects across the District</p> <p>1e - Be innovative by exploring opportunities to reduce revenue expenditure and maximise key income streams.</p>	<p>2a - Deliver good housing stock condition and energy performance for Council owned dwellings that meet the Decent Homes Standard</p> <p>2b - Respond to the need to provide more affordable housing in the District</p> <p>2c - Drive down homelessness across the District and support partner agencies in the drive for an improved life for those in need</p> <p>2d - Provide good access to affordable housing options across a range of tenures, including affordable and sub market rent (within Local Housing Allowance rates) market rent, shared ownership, student housing etc.</p> <p>2e - Be proactive in our tenant engagement, achieving effective representation and insight across all tenant and customer groups</p> <p>2f - Restrict permitted development rights in Winchester so that new houses in multiple occupation require planning permission</p> <p>2g - Support residents to buy their own homes.</p>	<p>3a - Work with partners to reduce health inequalities in the District and promote good mental and physical health</p> <p>3b - Provide new leisure facilities in Winchester that meet the needs of a broad cross section of our communities for now and the future</p> <p>3c - Encouraging volunteering to support and extend local services</p> <p>3d - Support the delivery of a programme of festivals and events across the district</p> <p>3e - Work with partners to achieve significant and sustained change for vulnerable and troubled families with multiple, complex and persistent problems.</p>	<p>4a - Protect, enhance and respect the District's rich heritage and landscape whilst allowing appropriate development to take place</p> <p>4b - Enable our historic environment to evolve over time, with due regard for the landscape character</p> <p>4c - Work with our partners and using powers available to us, make Winchester a safer and pleasant place to live, work and visit</p> <p>4d - Protect, enhance and increase the use of open spaces in both the towns and more rural areas of the District</p> <p>4e - Work to change attitudes to waste, fly-tipping and littering and significantly improve recycling levels</p> <p>4f - Work with strategic partners to continue to develop flood resilience measures to protect our communities</p> <p>4g - Improve the environment and reduce harmful emissions through holistic planning</p> <p>4h - Working with strategic partners to identify opportunities to enhance and restore biodiversity in the District.</p>

Council Risk

The Council have a clear framework and approach to risk management. The strategic risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the strategic risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

No	Risk Title	Risk Description
1	Capacity to deliver	Ambitious corporate plan with competing demands and multiple complex priorities risks that the Council does not maintain capacity to deliver services
3	Customer insight and engagement with change	Failure to engage and consult effectively with residents and stakeholders and make best use of customer data risks challenge over decisions
4	Business continuity	Lack of planning and preparedness to ensure that services are restored promptly and efficiently following a significant event affecting the Council, resulting in service delays
6	Effective partnership working	Faltering partnerships due to lack of shared vision, conflicting demands and individual partner failure. Poor scoping and commissioning of partners
7	Medium term financial viability	Reduced funding, business rates and income, cost inflation and reliance on strategic partners to deliver services and projects risks falling standards, service reduction and financial viability
8	Strategic planning for housing	Increasing demand for new houses, high costs including private sector rents and inability to identify new sites for housing risks delivery of the quality housing options corporate priority
9	Cyber Security	Failure to protect the Council's systems from Malicious attack leading to financial loss, disruption of business and ability to deliver services, loss and corruption of data.

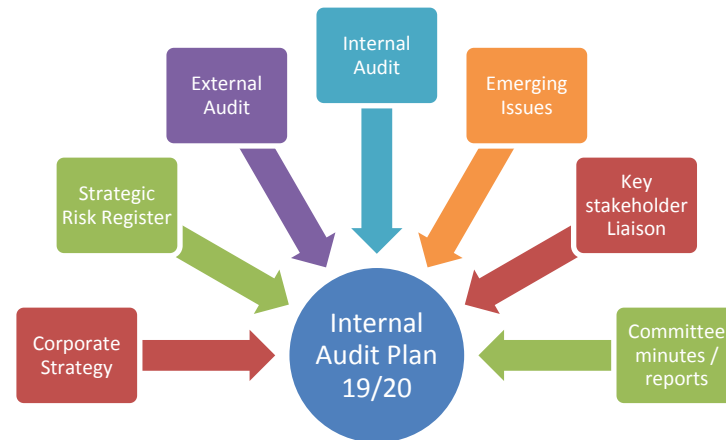
Developing the internal audit plan 2019/20

We have used various sources of information and discussed priorities for internal audit with the following groups:

- Joseph Holmes – Strategic Director, Resources
- Executive Leadership Board
- Other key Stakeholders
- Audit Committee

Based on these conversations with key stakeholder groups, a review of key corporate documents and our understanding of the organisation the Southern Internal Audit Partnership have developed an annual audit plan for the coming year (2019/20) and a projected high level strategic plan (2019 – 2022). The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is maintained.



Internal Audit Plan 2019-20

Audit	Scope / Risk	Strategic Risk	Corporate Priority	Proposed Timing
<i>Strategic Risks and Corporate Cross Cutting</i>				
Programme & Project Management	Review of the programme and project management framework - compliance in relation to live / ongoing projects	1, 3, 6, 7	All	
Transformation	Assurance over transformation initiatives including: <ul style="list-style-type: none"> • Resource management • Benefits realisation • Efficiency Plan (Transformation Savings) • iESE process innovation 	1, 3, 6, 7	All	
Financial Stability	Assurance over financial risks relating to assumptions made for medium term financial projections. Emphasis on financial planning and resilience: <ul style="list-style-type: none"> ○ MTFS ○ Income Strategy ○ Growing the Local Economy 	1, 3, 6, 7	All	
Digital Agenda	Significant culture shift with the risk of insufficient IT infrastructure, security and stakeholder engagement. To review the process and transition to digitalised initiatives.	1, 3, 4, 7, 9	1, 2	
Working in Partnership	Assurance over governance, rights of access, third party assurance,	1, 6, 7, 8	All	

Audit	Scope / Risk	Strategic Risk	Corporate Priority	Proposed Timing
	contingency arrangements, exit strategies, hosting arrangements (accountabilities), benefits realisation, performance.			
Business continuity and emergency planning	Assurance over plans to recover services after a major incident / planning for extreme events that may lead to delays in responding to situations and failure to deliver services	4, 6, 9	All	
Governance				
HR Page 46	Weak or ineffective internal control leading to failure to maintain capacity to deliver outcomes, financial loss, damage to the Council's reputation and adverse publicity. Coverage over a three year cycle to include:- <ul style="list-style-type: none"> • Absence management • Recruitment • Training & Development • Workforce Development • Flexible Working • Volunteers 	1, 6, 7	All	
Fraud & Irregularities	Ineffective procedures to detect / mitigate fraud and irregularity or to promote a zero-tolerance culture. Provision to facilitate CIPFA/Tecaff Fraud survey, NFI, advice.	-	All	On-going
Information governance	Assurance over information governance arrangements to incl. DPA, FOI, Transparency and compliance with GDPR	4, 9	All	

Audit	Scope / Risk	Strategic Risk	Corporate Priority	Proposed Timing
Ethical behaviours	Assurance over governance arrangements for ethical behaviours including declarations of interest, gifts & hospitality, codes of conduct etc.	-	All	
Procurement	Assurance over compliance with contract procedure rules and legislative requirements (including P Cards)	1, 6, 7	All	
Corporate Strategy				
Energy Management & Climate Change	Review and assurance of strategy, policies, procedures and outcomes to include impact of transport policies		4	
Environmental Services Contract	Significant procurement to consider during 2019/2020.		4	
Planning & Open Spaces (incl. Community Infrastructure Levy)	Assurance over legislative compliance and conformance to local policies and procedures in addition to the effective use of open spaces. To also include assurance over the effective utilisation of CIL	8	2, 4	
Housing Asset Management	Assurance over process and delivery of repairs and maintenance, voids, Decent Homes Standards	8	2	
Housing Finance	Assurance over delivery, processes and procedures in place to address legislative change within the Housing & Planning Act 2016: <ul style="list-style-type: none"> • Sale of high value vacant property • New Starter Homes / Register of self builds • Rent setting & Collection 	8	2	

Audit	Scope / Risk	Strategic Risk	Corporate Priority	Proposed Timing
Core Financial Systems				
Council tax		7	All	
Accounts payable		7	All	
Payroll	Cyclical coverage to meet external audit / regulatory requirements and management concerns	7	All	
Income generation and collection (inc cash handling)		7	All	
Reconciliations		7	All	
IT				
Secure e-mail	Assurance over the new arrangements following the decommissioning of the Government's GCSX accounts	4, 9	All	
Back-ups	Assurance over back-ups to ensure business continuity in the event of failure, critical event or corruption/loss of data	4, 9	All	
Patch management	Assurance over the arrangements to test and verify patches (inc. change control) to ensure software is up to date and cyber security is maintained.	4, 9	All	

Audit	Scope / Risk	Strategic Risk	Corporate Priority	Proposed Timing
Business as Usual				
Establishment review – Tourism Information Centre	Assurance over the utilisation of financial systems, sales income and commission collection, cash handling arrangements, physical security etc.	-	-	
Bus Service Operator Grant	Certification Work	-	-	
Mayor's Charity	Audit of Final Accounts	-	-	
Per				
Management	Planning, liaison, reporting, audit committee, external audit, advice	-	-	Q1-4
Total Days				310

Internal Audit Strategy 2019 - 2022

Audit	Scope / Risk	Corporate Priority	2019-20	2020-21	2021-22
Programme & Project Management	Review of the programme and project management framework - compliance in relation to live / ongoing projects	All	✓	✓	✓
Transformation	Assurance over transformation initiatives	All	✓	✓	

Audit	Scope / Risk	Corporate Priority	2019-20	2020-21	2021-22
	including: <ul style="list-style-type: none"> • Resource management • Benefits realisation • Efficiency Plan (Transformation Savings) • iESE process innovation 				
Financial Stability	Assurance over financial risks relating to assumptions made for medium term financial projections. Emphasis on financial planning and resilience: <ul style="list-style-type: none"> ○ MTFS ○ Income Strategy ○ Growing the Local Economy 	All	✓	✓	✓
Asset Management	Assurance over effectiveness and delivery of the Asset Management Plan including repairs and maintenance to non-housing assets (planned & reactive)	2, 4			✓
Digital Agenda	Significant culture shift with the risk of insufficient IT infrastructure, security and stakeholder engagement. To review the process and transition to digitalised initiatives.	1, 2	✓	✓	✓
Working in Partnership	Assurance over governance, rights of	All	✓		

Audit	Scope / Risk	Corporate Priority	2019-20	2020-21	2021-22
	access, third party assurance, contingency arrangements, exit strategies, hosting arrangements (accountabilities), benefits realisation, performance.				
Economic Development and Regeneration	Effectiveness of ambition to drive economic development and regeneration. Review of strategic approach and delivery including processes and outcomes.	1		✓	
Affordable Housing	Assurances over delivery & allocation of affordable housing (rent, buy, shared ownership) across a range of tenures and innovative models to achieve outcomes.	2		✓	
Housing Finance	Assurance over delivery, processes and procedures in place to address legislative change within the Housing & Planning Act 2016: <ul style="list-style-type: none"> • Sale of high value vacant property • New Starter Homes / Register of self builds • Rent setting & Collection 	2	✓		
Housing Asset Management	Assurance over process and delivery of repairs and maintenance, voids, Decent	2	✓		✓

Audit	Scope / Risk	Corporate Priority	2019-20	2020-21	2021-22
Homes Standards					
Energy Management & Climate Change	Review and assurance of strategy, policies, procedures and outcomes to include impact of transport policies	4	✓		
Environmental Services Contract	Assurances over contractual arrangements and effective outcomes. Significant procurement in 2019/2020.	4	✓	✓	
Development / Building Control	Review of policy and processes of arrangements	2, 4		✓	
Business Continuity & Emergency Planning	Assurance over plans to recover services after a major incident / planning for extreme events that may lead to delays in responding to situations and failure to deliver services	All	✓		✓
HR	Weak or ineffective internal control leading to failure to maintain capacity to deliver outcomes, financial loss damage to the Council's reputation and adverse publicity. Coverage over three year cycle to include: <ul style="list-style-type: none"> • Absence management • Recruitment 	All	✓	✓	✓

Audit	Scope / Risk	Corporate Priority	2019-20	2020-21	2021-22
	<ul style="list-style-type: none"> • Training & Development • Workforce Development • Flexible Working • Volunteers 				
Fraud & Irregularities	Ineffective procedures to detect / mitigate fraud and irregularity or to promote a zero - tolerance culture. Provision to facilitate CIPFA/Tecaff Fraud survey, NFI, advice.	-	✓	✓	✓
Procurement	Assurance over compliance with contract procedure rules and legislative requirements (including P Cards)	All	✓		✓
Contract Management	Review of contract management arrangements and compliance across a selection of 'key contracts'	All		✓	
Health & Safety	Effective H&S strategy in place and operating effectively with effective governance, accountability and issue resolution	All		✓	
Information Governance	Assurance over information governance arrangements to incl. DPA, FOI, Transparency and compliance with the	All	✓	✓	✓

Audit	Scope / Risk	Corporate Priority	2019-20	2020-21	2021-22
General Data Protection Regulations (GDPR)					
Ethical Behaviours	Assurance over organisational change (austerity) – cultural change, declarations of interest, gifts & hospitality, codes of conduct	All	✓		
Risk Management	Assurance over the risk management framework incl. governance, transparency and maturity.	All		✓	
Housing rents		All			✓
Housing Benefits		All		✓	
Council Tax		All	✓		
Accounts Payable	Coverage to meet External Audit / Regulatory requirements and management concerns	All	✓		
Accounts Receivable / Debt Management		All		✓	
Main Accounting		All		✓	
Reconciliations		All	✓		
Treasury Management		All		✓	

Audit	Scope / Risk	Corporate Priority	2019-20	2020-21	2021-22
NNDR		All		✓	
Payroll		All	✓		
Income generation and collection		All	✓		✓
Software licencing / management of assets	Assurance over the effective and efficient software licencing and management of IT assets.	All		✓	
Network management	Assurance over the management of the Network	All		✓	
Applications management	Assurance over inputs, processing, outputs, access controls, interfaces etc.	All			✓
Data security and management	Review the arrangements for a sample of areas e.g. Network Security and Cloud Computing	All			✓
IT Strategy and assurance mapping	Effective delivery of the IT Strategy and include joint working arrangements with TVBC.	All		✓	
Cyber security	Assurance against the defence of physical / information assets which could be	All		✓	

Audit	Scope / Risk	Corporate Priority	2019-20	2020-21	2021-22
	compromised using information technology.				
Mobile devices	Assurance over retention, data security, use of own devices, remote / home working arrangements.	All			✓
Secure e-mail	Assurance over the new arrangements following the decommissioning of the Government's GCSX accounts	All	✓		
Back-ups	Assurance over back-ups to ensure business continuity in the event of failure, critical event or corruption/loss of data	All	✓		
Patch management	Assurance over the arrangements to test and verify patches (inc. change control) to ensure software is up to date and cyber security is maintained.	All	✓		
Planning & Open Spaces (incl. Community Infrastructure Levy)	Assurance over legislative compliance and conformance to local policy and procedure in addition to the effective use of open spaces. To also include assurance over the effective utilisation of CIL	2, 4	✓		
Licensing	Assurances over safeguarding, income,	-		✓	

Audit	Scope / Risk	Corporate Priority	2019-20	2020-21	2021-22
	application process and monitoring.				
Certification work	Certification/final accounts audit work as required		✓	✓	✓
Management	Planning, reporting, Audit Committee, Monitoring, Liaison and Advice	-	✓	✓	✓

REPORT TITLE: INTERNAL AUDIT CHARTER 2019/20

7 MARCH 2019

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

Contact Officer: Antony Harvey Tel No: 01962 845 701 Email
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WARD(S): ALL

PURPOSE

The purpose of this report is to provide the Audit Committee with the Internal Audit Charter for 2019/20.

The Internal Audit Charter formally defines the internal audit activity's purpose, authority and responsibility in line with the Public Service Internal Audit Standards [the standards].

RECOMMENDATIONS:

1. That the Committee approves the Internal Audit Charter as set out in Appendix 1 of the Report.

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

- 1.1 The internal audit function plays a vital role in supporting the organisation to accomplish the Council Strategy outcomes and Service Plan objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2 FINANCIAL IMPLICATIONS

- 2.1 The Internal Audit Plan for 2019/20 comprises a total of 310 resources days and the anticipated cost for the financial year is £94,500.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None identified.

4 WORKFORCE IMPLICATIONS

- 4.1 None.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 The Portfolio Holder for Finance and Strategic Director: Resources have been consulted on the contents of the Audit Charter for 2019/20

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None required.

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 None required

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

10 RISK MANAGEMENT

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

Risk	Mitigation	Opportunities
<i>Financial / VfM</i>	Internal Audit supports the Council to ensure proper financial management through its audit activities and assurance service	None

11 SUPPORTING INFORMATION:

- 11.1 With effect from 1 April 2013 internal audit services across the public sector have been governed by the Public Sector Internal Audit Standards (the standards).
- 11.2 Within the Standards there is a requirement for an 'Internal Audit Charter', a formal document that defines the purpose, authority and responsibility of the internal audit activity. The proposed charter is attached at Appendix 1.
- 11.3 The Internal Audit Charter must be reviewed periodically (as a minimum annually) by the Chief Internal Auditor and presented to 'Senior Management' and 'the Board'. The Board is defined as:

'the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Audit Committee'.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD204 Internal Audit Charter 2018/19

Other Background Documents:-

None.

APPENDICES:

Appendix 1 – Internal Audit Charter 2019/20



Internal Audit Charter

Introduction

The Public Sector Internal Audit Standards (the Standards) provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance and transparency.

The Standards form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes the mission; core principles; definition of internal audit; and Code of Ethics. The Southern Internal Audit Partnership will conduct all of its activity in line with the Standards and the IPPF.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility.

Mission and Core Principles

The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

The 'Core Principles' underpin delivery of the IPPF mission:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

Authority

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

'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2017).

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Purpose

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.

This is achieved through internal audit providing 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.

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'.

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within Winchester City Council lies with the Strategic Director (Resources) as the authority's Chief Finance Officer (S151 Officer).

For the Council, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Deputy Head of the Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the *'Mission'*, *'Core Principles'*, *'Definition of Internal Auditing'*, the *'Code of Ethics'* and *'the Standards'*.

Definitions

For the purposes of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Audit Committee.

Senior Management – those responsible for the leadership and direction of the Council. At the Council this shall mean the Executive Leadership Board (ELB).



Position in the organisation

The Chief Internal Auditor reports functionally to the Board, and organisationally to the Strategic Director (Resources) who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Monitoring Officer responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Audit Committee).

Internal audit resources

The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The Strategic Director (Resources), will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

'Senior Management' and *'the Board'* will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.



The annual operational plan will be submitted to *'senior management'* and *'the Board'*, for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to *'senior management'* and *'the Board'*.

If the Chief Internal Auditor, *'the Board'* or *'Senior Management'* consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Strategic Director (Resources), accordingly.

Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities;
- operates in a framework that allows unrestricted access to *'senior management'* and *'the Board'*;
- reports functionally to *'the Board'*;
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team;
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements; and
- ensures the planning process recognise and address potential conflicts of interest through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to *'Senior Management'* and *'the Board'*. The nature of the disclosure will depend upon the impairment.



Due professional care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the *'Mission', Core Principles', Definition of Internal Auditing'*, the *'Code of Ethics'* and the *'Standards'* and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported in accordance with the Council's Anti-fraud and Corruption Policy.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

Access to relevant personnel and records

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to the Council or its key delivery partner organisations.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

Scope of Internal Audit activities

The Chief Internal Auditor 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 will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

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The Council assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the SIAP. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisations success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls. Additionally, proactive fraud reviews will be incorporated within the plan to deter and detect fraud, covering known areas of high risk.

Managers are required to report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor.

The Chief Internal Auditor shall ensure that for those investigations internal audit undertake, investigators are fully trained and appropriately qualified.

Where there is evidence that Council staff are committing fraud, internal audit will liaise with Human Resources and the department concerned. The decision on whether to invoke criminal proceedings will be made in accordance with the Anti-Fraud and Corruption Policy.

The monitoring of the Council's Anti-Fraud Strategy will be the responsibility of the Chief Internal Auditor, as part of the monitoring of the annual internal audit plan, in conjunction with the Monitoring Officer.

Internal audit also facilitate the Council's participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.



Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate as a minimum:

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Senior Management

As those responsible for the leadership and direction of the Council. It is imperative that ELB are engaged in:

- approving the internal audit charter (minimum annually);
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

The Board

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit resource plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations;

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- agreement of the scope and form of the external assessment as part of the quality management and improvement plan;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and
- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to *'Senior Management'* and *'the Board'* for approval.

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Annex 1

Southern Internal Audit Partnership – Client Portfolio

Strategic Partners:	Hampshire County Council
Key Stakeholder Partners:	<p>West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom & Ewell Borough Council Reigate & Banstead Borough Council Tandridge District Council Hampshire Fire & Rescue Authority Office of the Hampshire Police & Crime Commissioner / Hampshire Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force</p>
External clients:	<p>Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority</p> <p>Higher Education Institutions University of Winchester</p> <p>Further Education Institutions Eastleigh; Highbury; Isle of Wight College; Itchen: and Portsmouth.</p> <p>Third Sector VTCT</p>

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti Fraud and Anti Corruption Strategy.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

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REPORT TITLE: LOCAL CODE OF CORPORATE GOVERNANCE 2019

7 MARCH 2019

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): ALL

PURPOSE

This report presents the Local Code of Corporate Governance which sets out and describes the Council's commitment to corporate governance, and identifies the arrangements that have been made, and will continue to be made to ensure its effective implementation and application in all aspects of the Council's work.

RECOMMENDATIONS:

1. That the Audit Committee approves the Local Code of Corporate Governance as set out in Appendix 1.

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

- 1.1 The Local Code of Corporate Governance sets out the principles by which the Council follows to ensure that it delivers the outcomes included in the Council Strategy in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

2 FINANCIAL IMPLICATIONS

- 2.1 There are no direct financial implications.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Local Code of Corporate Governance forms part of the governance framework which defines the principles that underpin governance at the Council.

4 WORKFORCE IMPLICATIONS

- 4.1 None identified.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 The Portfolio Holder for Finance has been consulted on content of this Report. Once approved the Local Code of Corporate Governance will be communicated to all staff and published on the Council's website.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None.

8 EQUALITY IMPACT ASSESSEMENT

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

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Property</i>	n/a	n/a
<i>Community Support</i>	n/a	n/a
<i>Timescales</i>	n/a	n/a
<i>Project capacity</i>	n/a	n/a
<i>Financial / VfM</i>	The Council's Financial Procedure Rules set the allocation and control of the organisation's financial resources and is included in the Constitution.	n/a
<i>Legal</i>	The Local Code of Corporate Governance defines the governance arrangements at the Council.	An effective governance framework that is adopted and followed throughout the organisation supports the Council to operate lawfully.
<i>Innovation</i>	n/a	n/a
<i>Reputation</i>	Good governance is essential for the effective and efficient running of the Council.	Assurance is gained from the Council demonstrating that it is following the principles that are set out in the Local Code
<i>Other</i>	n/a	n/a

11 SUPPORTING INFORMATION:

- 11.1 Governance is about how local government organisations ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable way.
- 11.2 It comprises the systems and processes, and cultures and values, by which local government organisations are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 11.3 Winchester City Council is committed to the seven core principles of good corporate governance as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/SOLACE publication; Delivering Good Governance in Local Government Framework published in 2016.
- 11.4 The Local Code of Corporate Governance, attached as Appendix 1 sets out and describes the Council's commitment to corporate governance, and identifies the arrangements that have been made, will continue to be made to ensure its effective implementation and application in all aspects of the Council work.

- 11.5 The Council positively recognises and accepts the following seven core principles of good governance, as identified within the CIPFA/SOLACE Framework:
- 1) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - 2) Ensuring openness and comprehensive stakeholder engagement.
 - 3) Defining outcomes in terms of sustainable economic, social, and environmental benefits.
 - 4) Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - 5) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 - 6) Managing risks and performance through robust internal control and strong public financial management
 - 7) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 11.6 The seven core principles each have a number of supporting principles, which in turn have a range of specific requirements that apply across the Council's business.
- 11.7 The Council accepts that in order to comply with the principles of good governance that it must undertake to ensure that the systems and processes are continually monitored and reviewed, and are kept up to date.
- 11.8 An annual review of the Council's Corporate Governance arrangements is carried using the guidance in the CIPFA/SOLACE Framework. The purpose of the review is to provide assurance that the governance arrangements are adequate and operating effectively or to identify areas where actions are required to ensure effective governance in the future.
- 11.9 The results of the annual review take the form of the Annual Governance Statement, prepared on behalf of the Leader and Chief Executive and will be presented to the June meeting of the Committee.
- 11.10 Appendix 2 presents details of the policies, procedures and arrangements that the Council has in place to deliver good governance against each of the seven core principles

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 None

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD207 Local Code of Corporate Governance 2018

Other Background Documents:-

None

APPENDICES:

Appendix 1 Local Code of Corporate Governance

Appendix 2 Winchester City Council – Corporate Governance Framework

Winchester City Council's Local Code of Corporate Governance 2019

Definition of Governance

For the purpose of this Local Code, Winchester City Council has accepted the definition of Corporate Governance as stated within the CIPFA/SOLACE Framework, as follows:

“Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities”.

Good Governance Standards

The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) have published a framework document for Corporate Governance in Local Government.

Winchester City Council is committed to the principles of good corporate governance and wishes to confirm its ongoing commitment and intentions through the development, adoption and continued maintenance of a Local Code of Corporate Governance, as recommended by the CIPFA/SOLACE Framework.

This document, Winchester City Council's "Local Code of Corporate Governance", therefore sets out and describes the Council's commitment to corporate governance, and identifies the arrangements that have been made, and indeed will continue to be made, to ensure its effective implementation and application in all aspects of the Council's work.

Winchester City Council recognises that effective local government relies upon establishing and maintaining the confidence of the public in both the elected Members and Officers of the Council.

The effective application of the seven core principles of good governance directly supports the Council's overarching outcomes that have been identified for the Winchester District through the Council Strategy:

- Winchester District will be a premier business location
- Delivering quality housing options
- Improve the health and happiness of our community
- Improving the quality of the District's environment

A copy of the Winchester Council Strategy can be obtained through this [link](#) and provides detail on what is covered within the above four overarching outcomes.

The delivery plans for achieving the outcomes included in the Council Strategy are contained in Service Plans 2019/20.

Winchester City Council's good corporate governance standards are outlined below. The Council has prepared an Annual Governance Statement to evaluate its governance against the principles below:-

GOOD GOVERNANCE - PRINCIPLE 1

Winchester City Council will behave with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

Local government authorities are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

The sub principles supporting this core principle are:

Behaving with Integrity

- Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation
- Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)
- Leading by example and using the above standard operating principles or values as a framework for decision making and other actions
- Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively

Demonstrating strong commitment to ethical values

- Seeking to establish, monitor and maintain the Council's ethical standards and performance
- Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the Councils' culture and operation
- Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values

- Ensuring that external providers of services on behalf of the Council are required to act with integrity and in compliance with the ethical standards expected by the Council

Respecting the rule of the law

- Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations
- Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements
- Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders
- Dealing with breaches of legal and regulatory provisions effectively
- Ensuring corruption and misuse of power are dealt with effectively

GOOD GOVERNANCE - PRINCIPLE 2

Winchester City Council will ensure openness and comprehensive stakeholder engagement

Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders

The sub principles supporting this core principle are:

Openness

- Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness
- Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided
- Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear
- Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action

Engaging comprehensively with institutional stakeholders

NB institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.

- Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably
- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
- Ensuring that partnerships are based on:
 - trust
 - a shared commitment to change
 - a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit

Engaging with individual citizens and service users effectively

- Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is

contributing towards the achievement of intended outcomes

- Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement
- Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs
- Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account
- Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
- Taking account of the impact of decisions on future generations of tax payers and service users

GOOD GOVERNANCE - PRINCIPLE 3

Winchester City Council will define its outcomes in terms of sustainable economic, social and environmental benefits.

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

The sub principles supporting this core principle are:

Defining outcomes

- Having a clear vision, which is an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions.
- Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer
- Delivering defined outcomes on a sustainable basis within the resources that will be available
- Identifying and managing risks to the achievement of outcomes
- Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available.

Sustainable economic, social and environmental benefits

- Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision
- Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints
- Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs
- Ensuring fair access to services

GOOD GOVERNANCE - PRINCIPLE 4

Winchester City Council will determine the interventions necessary to optimise the achievement of its intended outcomes.

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

The sub principles supporting this core principle are:

Determining interventions

- Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided
- Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.

Planning interventions

- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets
- Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered
Considering and monitoring risks facing each partner when working collaboratively, including shared risks
- Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances
- Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured
- Ensuring capacity exists to generate the information required to review service quality regularly
- Preparing budgets in accordance with objectives, strategies and the medium term financial plan
- Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy

Optimising the achievement of intended outcomes

- Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints
- Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term
- Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage
- Ensuring the achievement of 'social value' through service planning and commissioning

GOOD GOVERNANCE - PRINCIPLE 5

Winchester City Council will develop the entity's capacity, including the capability of its leadership and the individuals within it.

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

The sub principles supporting this core principle are:

Developing the council's capacity

- Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness
- Improving the use of resources through the appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently
- Recognising the benefits of partnerships and collaborative working where added value can be achieved
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources

Developing the capability of the entity's leadership and other individuals

- Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained
- Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body
- Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority
- Developing the capabilities of elected members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
 - ensuring elected members and staff have access to an appropriate induction tailored to their role and that ongoing training and

- development matching individual and organisational requirements is available and encouraged
- ensuring elected members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.

GOOD GOVERNANCE - PRINCIPLE 6

Winchester City Council will manage risks and performance through robust internal control and strong public financial management.

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority

The sub principles supporting this core principle are:

Managing Risk

- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively
- Ensuring that responsibilities for managing individual risks are clearly allocated

Managing Performance

- Monitoring service delivery effectively including planning, specification, execution and independent post implementation review
- Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook
- Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible
- Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement
- Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)

Robust internal control

- Aligning the risk management strategy and policies on internal control with

achieving objectives. Evaluating and monitoring risk management and internal control on a regular basis

- Ensuring effective counter fraud and anti-corruption arrangements are in place
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
- Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body:
 - provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment
 - that its recommendations are listened to and acted upon

Managing data

- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring

Strong public financial management

- Ensuring financial management supports both long term achievement of outcomes and short term financial and operational performance
- Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

GOOD GOVERNANCE - PRINCIPLE 7

Winchester City Council will implement good practices in transparency, reporting and audit to deliver effective accountability.

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

In accepting the core principle we will:

Implement good practice in transparency

- Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate
- Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand

Implement good practices in reporting

- Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way
- Ensuring elected members and senior management own the results reported
- Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)
- Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate
- Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations

Assurance and effective accountability

- Ensuring that recommendations for corrective action made by external audit are acted upon
- Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon
- Welcoming peer challenge, reviews and inspections from regulatory bodies

and implementing recommendations

- Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement
- Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.

Winchester City Council – Corporate Governance Framework

Governance for local government bodies is ensuring that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
This table defines the arrangements that Winchester City Council has in place to deliver good governance against the seven core principles as set out in the CIPFA/SOLACE publication; Delivering Good Governance in Local Government Framework.

	Principle 1	Principle 2	Principle 3	Principle 4	Principle 5	Principle 6	Principle 7
Core Principle	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law	Ensuring openness and comprehensive stakeholder engagement	Defining outcomes in terms of sustainable, economic, social and environmental benefits	Determining the interventions necessary to optimise the achievement of the intended outcomes	Developing the Council's capacity, including the capability of its leadership and the individuals within it	Managing risks and performance through robust internal control and strong public financial management	Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Evidence of Good Governance	Constitution	Constitution	Council Strategy	Budget consultation	Constitution	Constitution	Audit Committee
	Member induction	Consultations	Committee reports	Stakeholder engagement	Member Induction	Risk Management Policy	The Overview and Scrutiny Committee
	Audit Committee	Open Meetings	Medium Term Financial Strategy	Risk Management Policy	Member Training	Risk Appetite	Internal Audit Service
	Scheme of Delegation	Council Strategy	Economic Strategy	Quarterly performance reporting	Employee Strategy	Audit Committee	External Audit
	Overview and Scrutiny	Open Data and Transparency Code	Entrepreneurial Approach		1team/ staff secondment	The Overview and Scrutiny Committee	Chief Internal Auditor Annual Opinion
	Financial Procedures	Customer Complaints procedures	Digital Strategy		Staff Appraisals	Emergency Planning – Emergency Response Plan	Quarterly performance reporting

	Principle 1	Principle 2	Principle 3	Principle 4	Principle 5	Principle 6	Principle 7
Core Principle	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law	Ensuring openness and comprehensive stakeholder engagement	Defining outcomes in terms of sustainable, economic, social and environmental benefits	Determining the interventions necessary to optimise the achievement of the intended outcomes	Developing the Council's capacity, including the capability of its leadership and the individuals within it	Managing risks and performance through robust internal control and strong public financial management	Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Evidence of Good Governance	Employee Code of Conduct	Annual Governance Statement	Local Plan		Employee Wellbeing	Business Continuity Plan	Open Data and Transparency Code
	Members/ officers register of Interests	Partnership arrangements			Staff Training Policy	IT Disaster Recovery Plan	Annual Governance Statement
	Members/ officers Register of Gifts and Hospitality	Local Code of Governance			Leadership & Management Development Programme	External Audit of accounts and value for money opinion	Statements of Assurance
	Anti Fraud and Corruption Policy	TACT – Tenants Acting Together				Medium Term Financial Strategy	Annual Complaints report
	Risk Management Policy	Committee Minutes				Corporate Risk Register	
	Complaints procedure					Risk based Internal Audit Plan	
	IT Acceptable Usage Policy					Quarterly performance report	
	Anti Bribery Policy					Anti-Fraud and Corruption Policy	

REPORT TITLE: PLANNING FOR AND AUDIT OF THE 2018/19 ACCOUNTS

7 MARCH 2019

REPORT OF PORTFOLIO HOLDER: Councillor Ashton, Portfolio Holder for Finance

Contact Officer: Liz Keys Tel No: Extension 2226 Email LKeys@winchester.gov.uk

WARD(S): ALL

PURPOSE

The purpose of this report is to update the Committee on the actions taken to ensure that the Statement of Accounts for 2018/19 is fully compliant with statutory requirements and to make the Committee aware of changes impacting on the statements.

This report also introduces the external auditor's Audit Planning Report for the 2018/19 financial statements (see Appendix 1).

RECOMMENDATIONS:

1. That the Audit Committee notes this report in respect of the Council's Statement of Accounts for 2018/19.
2. That the Audit Committee approves the amendments to the disclosure of accounting policies.
3. That the Audit Committee notes the Audit Planning Report and asks any questions of the external auditors, Ernst & Young.

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

- 1.1 Preparation of the Annual Financial Report is fundamental to the operation of the Council and the Council has a statutory requirement to publish a statement of accounts annually. Although not directly linked to an individual Council Strategy Outcome, achieving all outcomes comes with a responsibility to account for how taxpayers' money has been spent.

2 FINANCIAL IMPLICATIONS

- 2.1 None.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None.

4 WORKFORCE IMPLICATIONS

- 4.1 None.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 Not Required.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None.

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 None.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Legal – Failure to meet the statutory deadline for the publication of unaudited Financial Statements.</i>	A comprehensive project plan for the delivery of the accounts closedown has been drafted and communicated.	None.

<p><i>Reputation – The Financial Statements are qualified by external audit as being materially misstated.</i></p>	<p>Financial statements are prepared in accordance with the CIPFA Code of Practice. Early engagement on potential accounting issues with external auditors.</p>	
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11 SUPPORTING INFORMATION:

Background

- 11.1 The purpose of this report is to inform the Audit Committee of the implications on the Statement of Accounts of the significant statutory and other changes applying to the 2018/19 financial year. The Statement of Accounts is prepared in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and any subsequent Local Authority Accounting Panel (LAAP) recommendations.

Streamlining the Accounts

- 11.2 CIPFA has recently made available practical guidance on streamlining local government financial reporting. The aim of which is to improve the clarity and transparency of financial reporting by:
- Removing unnecessary detail
 - Considering the principal users, their information needs and focussing on key messages to be communicated.
- 11.3 The first step is to consider the information that is significant (or, in financial terms 'material') to the users of the Council's Financial Statements.

Accounts Preparation Materiality

- 11.4 The identified users of the Council's financial statements primarily refer to the Balance Sheet for high-level information about the Council's assets and liabilities but have a closer interest in the Council's expenditure on and funding of services.
- 11.5 It is proposed to set a higher materiality level of £1 million for items that would have an effect on the Balance Sheet; this represents a percentage of net assets of approximately 0.25%.
- 11.6 For items of income and expenditure a lower figure is calculated. A materiality level of £0.125 million is proposed for income and expenditure items that would impact on the Comprehensive Income and Expenditure Statement (CIES) this represents about 1% of the Council's net cost of services (if the HRA property revaluation impact is excluded).

- 11.7 For the purposes of disclosures in the accounts, a review has been undertaken of the need to include disclosure notes for any items below £1 million in the balance sheet and £0.125 million in the CIES.
- 11.8 In relation to CIES disclosures: the disclosure notes on Member Allowances; Officers' Remuneration; Termination Benefits and Exit packages; and Related Parties are identified as sensitive disclosures, which are material by their nature, and will be disclosed irrespective of their value.

Changes to the Council's Accounting Policies

- 11.9 There are no proposed changes to our accounting policies in 2018/19. However, we will remove policies for transactions that are not considered material to the Council's Financial Statements. Accounting policies for the following transactions will be removed:
- Intangible Assets
 - Inventories
 - Heritage Assets
 - Leases
- 11.10 The following previous accounting policies, that defined accounting entries, will now appear only within the Glossary of Terms in the Annual Financial Report:
- Exceptional Items
 - Contingent assets and contingent liabilities
 - Prior period adjustments, changes in Accounting Policies and Estimates and Errors
 - Events after the balance sheet date
- 11.11 The Financial Instruments policy disclosure will also be updated to reflect the new requirements of International Financial Reporting Standard (IFRS) 9.

Changes to Disclosure Notes within the Council's Financial Statements

- 11.12 We have reviewed the previous year Financial Statements and removed disclosure notes that are not considered material. The notes in the following table will be removed for 2018/19:

Description	17/18 Balance £000
Intangible Assets	167
Available for Sale Financial Instruments Reserve	(504)
Financial Instruments Adjustment Account	0
Deferred Capital Receipts Reserve	(86)
Collection Fund Adjustment Account	657
Leases - Finance Lease Lessee (Net Book Value)	482

- 11.13 We will also remove the note on Trading Operations which is not a Code or statutory reporting requirement.
- 11.14 Financial Instruments disclosures will also be amended to reflect IFRS 9 requirements.

Changes to the Accounting Code of Practice 2018/19

- 11.15 The International Financial Reporting Standards IFRS 15 and IFRS 9 were adopted by the 2018/19 Accounting Code of Practice. The resulting changes to the Accounting Code that could impact on the Council's 2018/19 Statement of Accounts are set out below.

IFRS 15 Revenue from Contracts with Customers

- 11.16 This standard introduces a new method of determining what obligations an authority has under contracts to provide goods and services; and how revenue is to be recognised as performance obligations are satisfied. We have reviewed the Code requirements of the new standard and have determined that it does not have a material impact on the Council's accounts and therefore does not result in any changed practices.

IFRS 9 Financial Instruments

- 11.17 The adoption of this standard has two main effects on the Council's Financial Statements. Reclassification of Financial Assets is required, and a new methodology for calculating impairment loss allowances is introduced.
- 11.18 There will no longer be a classification of financial assets referred to as *Available for Sale*. Some assets (investments in pooled funds) are being accounted for differently from 1 April 2018. Movements in their fair value will be recognised in the Surplus or Deficit on the Provision of Services in the CIES and affecting the Council's General Fund balance. However, to mitigate against this impact, the Government has recently issued a temporary (5 year) statutory reversal under which valuation movements will not impact on the General Fund in the short term.
- 11.19 The standard requires the Council to calculate an impairment loss allowance for some financial assets. This 'allowance' represents a weighted probability of losses on these assets. Prior to the 1 April 2018 the Council only recognised losses once they had actually been incurred. The new loss allowances will be required for much of the Council's portfolio of investments; however given that the Council's Treasury Management strategy is to invest in low credit risk investments, the impact on the General Fund is not expected to be material.
- 11.20 The other impact on the financial statements of the adoption of IFRS 9 is that revised Financial Instrument disclosures are required for: financial instrument accounting policies; IFRS 9 transition notes, breakdown of financial

instrument Balance Sheet and CIES entries and the analysis of financial instrument credit risk.

External Audit of the Financial Statements

11.21 Ernst & Young LLP have presented their Audit Planning report, attached at Appendix 1, which sets out how they intend to carry out their responsibilities as auditor. The report's purpose is to provide the Committee with a basis to review the proposed audit approach and scope for the 2018/19 audit in accordance with legislation and auditing standards, and ensure that it meets with the Committee's expectations.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

Other Background Documents:-

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

APPENDICES:

Appendix 1 – EY Audit planning report year ended 31 March 2019

A high-angle photograph of several people sitting around a white table, reviewing documents. One person's hand is pointing at a document. A smartphone is visible on the table. The scene is brightly lit, suggesting an office or meeting environment.

Winchester City Council

Audit planning report

Year ended 31 March 2019

January 2019



28 January 2019



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

Dear Committee Members

Audit planning report

We are pleased to attach our audit planning report for the forthcoming meeting of the Audit Committee. The purpose of this report is provide the Committee with a basis to review our proposed audit approach and scope for the 2018-19 audit, in accordance with the requirements of the auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for Winchester City Council. We have aligned our audit approach and scope with these.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 7 March 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young

Contents

01	Overview of our 2018/19 audit strategy	02	Audit risks	03	Value for Money Risks	04	Audit materiality	05	Scope of our audit
									
									
06	Audit team	07	Audit timeline	08	Independence	09	Appendices		

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.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 (April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Winchester City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Winchester City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Committee and management of Winchester City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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01

Overview of our 2018-19 audit strategy



Overview of our 2018-19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Page 105 Inappropriate capitalisation of revenue expenditure.	Fraud risk.	A more clearly defined risk for 2018/19.	Linking to our fraud risk identified above, we have determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements.
Pension Liability and Asset Valuation	Inherent Risk	No change in risk or focus.	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme which it administers. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Valuation of Land and Buildings	Inherent Risk	No change in risk or focus.	The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Overview of our 2018-19 audit strategy

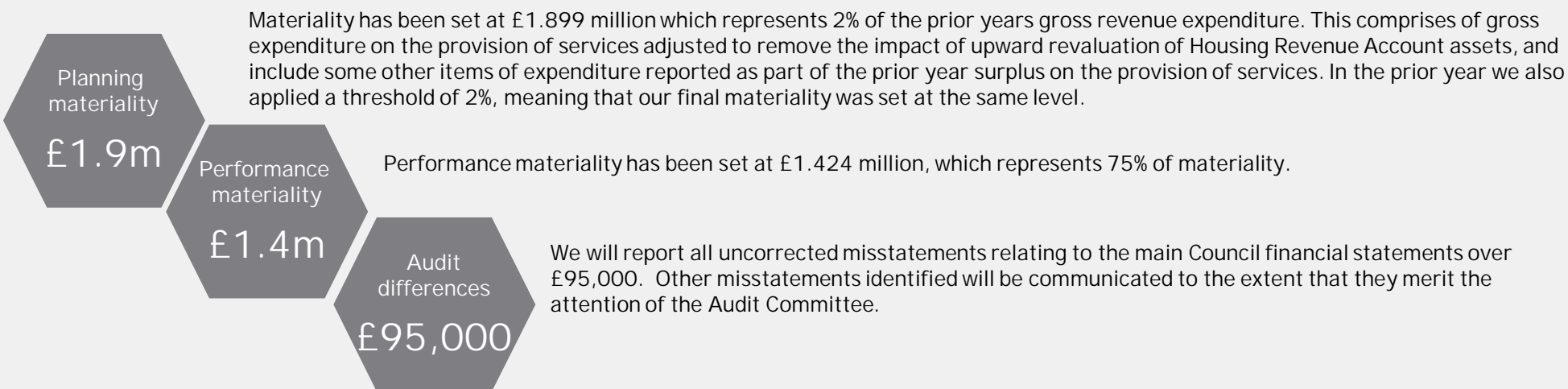
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
New Accounting Standards	Inherent risk	New risk identified this year.	IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts) apply from 1 April 2018. We will assess the impact of these new standards to determine whether they have been appropriately implemented by the Council.

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Materiality



Overview of our 2017/18 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Winchester City Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

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- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Changes to the Audit team

Kevin Suter, Associate Partner



- Kevin replaces Helen Thompson
- Kevin is an Associate Partner within the UK&I Assurance practice, with over 20 years experience of UK Local Government audits.
- He is a member of CIPFA (Chartered Institute of Public Accountancy) and will be the key contact for the Audit Committee and chief officers.



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02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error *

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- Identifying fraud risks during the planning stages.
- Inquiring of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p>Inappropriate capitalisation of revenue expenditure*</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Financial statement impact</p> <p>We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:</p> <ul style="list-style-type: none"> ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger. ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year. <p>If this were to happen it would have the impact of understating revenue expenditure and overstating PPE additions and/or REFCUS in the financial statements.</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. In arriving at this conclusion we have considered the high value of the Council's 2018/19 capital programme relative to its planned revenue spending.</p> <p>This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Test PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year. <p>We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries more generally for evidence of management bias and evaluate for business rationale.</p>

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

What will we do?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £62.1 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We will:

- Liaise with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Winchester City Council.
- Assess the work of the pension fund actuary (Aon Hewitt) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

We will:

- Consider the work performed by the Council's internal and external valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing its valuation (e.g. floor plans to support valuations based on price per square metre) and challenge the key assumptions used;
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property;
- Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated; and
- Test accounting entries have been correctly processed in the financial statements.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
<p><u>IFRS 9 Financial instruments</u></p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured; • How the impairment of financial assets are calculated; and • The disclosure requirements for financial instruments. <p>There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of Practice on Local Authority Accounting provides guidance on the application of IFRS 9.</p> <p>Central government has indicated following consultation that statutory overrides for certain classes of financial assets will be put in place, however until these are confirmed there remains some uncertainty on the full accounting treatment.</p> <p>The Council is yet to undertake and document its assessment of the impact of IFRS9.</p>	<p>We will:</p> <ul style="list-style-type: none"> • assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; • consider the classification and valuation of financial instrument assets; • review the implementation of the new expected credit loss model impairment calculations for assets; and • check additional disclosure requirements for compliance with the CIPFA Code.
<p><u>IFRS 15 Revenue from contracts with customers</u></p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.</p> <p>The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue may change and new disclosure requirements introduced.</p> <p>The Council is yet to undertake and document its assessment of the impact of IFRS15.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. • Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and • Check additional disclosure requirements.



03

Value for Money Risks





Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion. For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

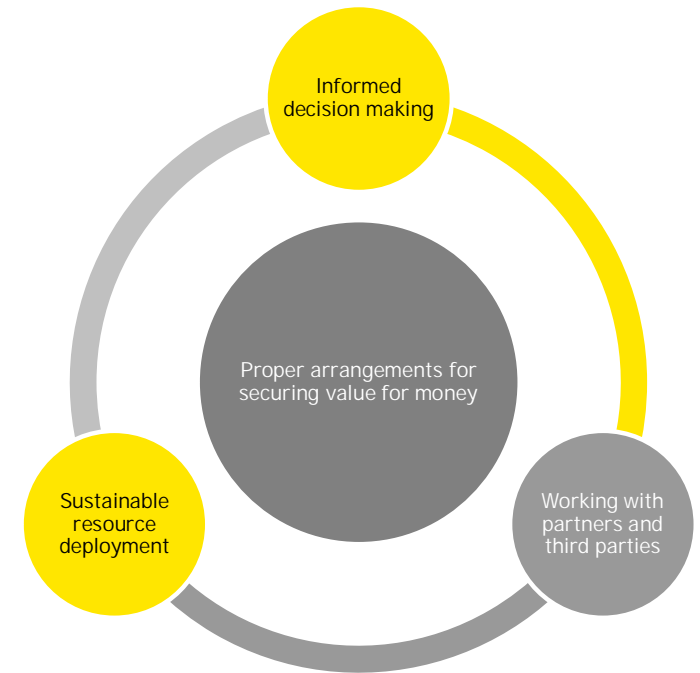
We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. It has considered, for example, the Council's:

- procurement of new leisure and waste contracts and the strengthening of contract management arrangements in those areas;
- ongoing work to improve the completeness of the contract register;
- delivery of the Council's capital programme;
- progress in modernising its governance arrangements and updating its constitution;
- continued consideration of financial resilience and the Council's ability to sustainably deploy resources; and
- Progress in addressing weaknesses in business continuity arrangements identified by Internal Audit.

This has resulted in the identification of no significant risks.



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04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £1.899 million. This represents 2% of the Council's prior year gross expenditure on provision of services. We have provided supplemental information about audit materiality in Appendix D.

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Gross expenditure on provision of services
£94,967m

Planning materiality
£1.9m

Performance materiality
£1.4m

Audit differences
£95,000

We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.424m which represents 75% of planning materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2018/19, we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will review internal audit plans and the results of their work and meet with the Head of Internal Audit as necessary. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements, the Narrative Statement and the Annual Governance Statement.



06

Audit team



Audit team

Audit team structure:

Kevin Suter
Associate Partner

Simon Mathers
Senior Manager

Helen Edgecombe
Senior

Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2018-19 audit.

We will continue to keep our audit approach under review to streamline it where possible.

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Audit team changes

Key changes to our team.

Kevin Suter, Associate Partner
Helen Edgecombe, Senior

- Kevin Suter takes over from Helen Thompson as the Associate Partner on the engagement, with Helen Edgecombe coming on to the audit as the new Senior.
- Simon Mathers provides continuity, and both Kevin and Helen have significant experience of local government audit.

Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where specialists are expected to provide input for the current year audit are:

Area	Specialists
Pensions disclosure	EY Actuaries Aon Hewitt - Actuary to Hampshire Pension Fund
PPE	The Council's own internal valuer and Wilks Head & Eve are engaged by the Council for valuation of its PPE and Investment Property portfolio.

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018-19.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit Committee Meeting timetable	Deliverables
Initial Planning: Risk assessment and setting of scopes and walkthrough of key systems and processes	November		
Completion of initial planning	December		
Interim audit testing and completion of walkthroughs	January		
Interim audit testing and completion of walkthroughs	February	Audit Committee Meeting	Not attending.
	March	Audit Committee Meeting	Audit Planning Report and verbal update on interim work.
	April		
	May		
	June		
Year end audit Audit Completion procedures	July	Audit Committee Meeting (date TBC)	Audit Results Report Audit opinions and completion certificates
	August		Annual Audit Letter

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08

Independence

Independence

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.
- ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm is independent;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Relationships, services and related threats and safeguards

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

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Other communications

EY Transparency Report 2018

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£	£	£
Total Fee – Code work	43,379	43,379	57,115
Total audit	43,379	43,379	57,115
Other non-audit services - (Housing Benefits)	0	0	12,535
Total other non-audit services	0	0	0
Total fees	43,379	43,379	69,650

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.


Notes:




- (1) The 2017/18 Code work fee includes a proposed scale fee variation of £779 for work undertaken the restatement of the CIES, EFA and related notes which constitutes a change in audit scope. This remains subject to approval by PSAA.
- (2) The 2017/18 Housing Benefit certification work includes a proposed scale fee variation of £2,000 for additional testing undertaken as a result of errors found in our initial testing of a sample of housing benefit cases in line with the requirements of the standard housing benefit certification audit approach. This fee has been agreed by management but remains subject to approval by PSAA.
- (3) Our 2018/19 Code work includes additional planned procedures highlighted in section two of this report to address the new accounting requirements of IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers. As at the date of our planning report the Council is yet to evidence their assessment of the impact of these standards, and so we cannot currently quantify the expected scale fee variation for these additional procedures. We will agree this with management, depending on the identified impact of the new standards.
- (4) To obtain sufficient assurance over housing benefits expenditure and subsidy income in the Council's financial statements, we will need to undertake some elements of the work which also form part of the housing benefit subsidy claim certification process. This work would previously have been covered by the certification fee and used additionally to provide assurance for the main audit. As we are no longer the reporting accountant for the Council's subsidy claim, we will need to consider the requirement for a scale fee variation to cover the performance of this work as part of the main audit for 2018/19.

Any additional fee will be subject to approval by the PSAA.





Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

 Our Reporting to you

Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit Planning Report, 7 March 2019 meeting of the Audit Committee.
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report, July 2019 meeting of the Audit Committee.



Required communications with the Audit Committee (continued)

 Our Reporting to you			
Required communications	 What is reported?	  When and where	
Page 132	Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit Results Report, July 2019 meeting of the Audit Committee.
	misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit Results Report, July 2019 meeting of the Audit Committee.
	Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Audit Results Report, July 2019 meeting of the Audit Committee.
	Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report, July 2019 meeting of the Audit Committee.

Required communications with the Audit Committee (continued)



Our Reporting to you

Required communications	 What is reported?	 When and where
Independence	<ul style="list-style-type: none"> • Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence • Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	Audit planning report, 7 March 2019 meeting of the Audit Committee. Audit Results Report, July 2019 meeting of the Audit Committee.
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report, July 2019 meeting of the Audit Committee.
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	Audit Results Report, July 2019 meeting of the Audit Committee.
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Audit Results Report, July 2019 meeting of the Audit Committee.
Representations	<ul style="list-style-type: none"> • Written representations we are requesting from management and/or those charged with governance 	Assurance Letter to be received shortly after year-end.
Material inconsistencies and misstatements	<ul style="list-style-type: none"> • Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report, July 2019 meeting of the Audit Committee.
Auditors report	<ul style="list-style-type: none"> • Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report, July 2019 meeting of the Audit Committee.

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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AUD230
AUDIT COMMITTEE

REPORT TITLE: CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2017/18

7 MARCH 2019

REPORT OF PORTFOLIO HOLDER: CLLR GUY ASHTON – PORTFOLIO HOLDER FOR FINANCE

Contact Officer: Liz Keys Tel No: 01962 848 226 Email: LKeys@winchester.gov.uk

WARD(S): ALL

PURPOSE

The purpose of the Certification of Claims and Returns Annual Report is to summarise the results of External Audit's work on the Council's housing benefits subsidy claim for 2017/18.

RECOMMENDATIONS:

1. That the Audit Committee considers the attached Annual Report (Appendix 1) and takes the opportunity to raise any points of clarification or concerns with the External Auditors (who will be present at the Committee meeting).

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

- 1.1 External Audit findings contribute to the corporate governance arrangements of the Council, which in turn supports the achievement of the objectives in the Council Strategy.

2 FINANCIAL IMPLICATIONS

- 2.1 The audit fee for grant certification work relating to 2017/18 is £12,535 which is an increase of £2,000 from the indicative fee provided. The additional fee is based on the additional hours required in respect of the extended testing. The actual fee for 2016/17 was £8,483.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None.

4 WORKFORCE IMPLICATIONS

- 4.1 None.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 None.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None required.

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 None required.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Property</i>	n/a	n/a
<i>Community Support</i>	n/a	n/a
<i>Timescales</i>	n/a	n/a
<i>Project capacity</i>	n/a	n/a
<i>Financial / VfM</i>	Checks carried out by the	n/a

Risk	Mitigation	Opportunities
	external audit ensure that the Council is calculating its Housing Benefit Subsidy claim accurately.	
<i>Legal</i>	n/a	n/a
<i>Innovation</i>	n/a	n/a
<i>Reputation</i>	n/a	n/a
<i>Other</i>	n/a	n/a

11 SUPPORTING INFORMATION:

- 11.1 The only remaining Government Grant received by the Council that requires external certification is in respect of Housing Benefit Subsidy. The Council's external auditors; Ernst & Young have completed their review of the Housing Benefit Subsidy claim (totalling £26.58m).
- 11.2 The auditor's review of the Housing Benefit Subsidy Claim 2017/18 identified seven errors in the calculation of claimant income within the sample of 120 cases reviewed. The auditors have reported that the estimated extrapolated impact of the errors is £1,667 overpayment of benefit; however, the auditors have not adjusted the claim.
- 11.3 The final claim was adjusted by £205 as a result of two other minor adjustments.
- 11.4 This is a positive report for the Council that provides assurance to the Audit Committee in respect of the Council's ability to provide good financial stewardship of taxpayer's money.
- 11.5 The external auditor's Certification of claims and returns report for 2017/18 is attached as Appendix 1 to this report

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD205 Certification of Claims and Returns Annual Report 2016/17

Other Background Documents:-

None

APPENDICES:

Appendix 1 Certification of Claims and Returns Annual Report 2017/18

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Certification of claims and returns annual report 2017-18

Winchester City Council

February 2019

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This report is made solely to the Audit Committee and management of Winchester City Council. Our work has been undertaken so that we might state to the Audit Committee and management of Winchester City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Winchester City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£26,589,091
Amended/Not amended	Amended – subsidy increased by £205 (final certified value £26,589,296)
Qualification letter	Yes
Fee – 2017-18	£12,535
Fee – 2016-17	£8,483

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires reporting accountants to follow a programme of work specified by DWP. Detailed case testing is carried out on an initial sample of 20 cases per benefit type. More extensive '40+' or extended testing is undertaken if initial testing identifies errors in the calculation of benefit or compilation of the claim. '40+' testing may also be carried out as a result of errors that have been identified in the certification of previous years claims.

Extended and other testing identified a relatively small number of errors, some of which the Council amended and some of which were reported in our qualification letter. We have reported underpayments, uncertainties and the extrapolated value of other errors resulting in overpayments in our qualification letter.

Housing Revenue Account (HRA) Rent Rebates: Earned income

- Testing of the initial sample identified one case where benefit entitlement had been determined based on an incorrect assessment of the claimant's earned income. The error did not lead to either an under or overpayment of benefit or subsidy but could have resulted in the overpayment of benefit. We therefore determined it was necessary to test an additional sample of 40 cases.
- Our testing identified a further three cases where income earned by the claimant had not been correctly assessed in the determination of benefit entitlement, one of which resulted in the overpayment of benefit. We extrapolated this result as part of our qualification letter.
- The extrapolated impact of the error was £1,331, resulting in understatement of the relevant Local Authority Error overpayment cell and overstatement of the relevant expenditure cell.

Housing benefits subsidy claim (continued)

Rent Allowances: Earned income

- No relevant failures were identified in our initial testing. However, based on our prior year experience of the claim where errors of the type were detected we were required to test an extended sample of 40 cases to determine whether earned income had been correctly assessed in the calculation of benefit entitlement.
- Our testing identified three cases where income earned by the claimant had not been correctly assessed in the determination of benefit entitlement, two of which resulted in the overpayment of benefit. We extrapolated these results as part of our qualification letter.
- The extrapolated impact of the errors was £336, resulting in understatement of the relevant Local Authority Error and Eligible Error cells and overstatement of the relevant expenditure cell.

We also identified two other minor issues that required manual adjustments to be made to the claim. The financial impact of the adjustments made to the claim for those issues was negligible.



2017-18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017-18, these scale fees were published by the PSAA and are available on their website (www.psaa.co.uk).

Claim or return	2017-18	2017-18	2016-17
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	£12,535	£10,535	£8,483

The indicative scale fee for 2017/18 of £10,535 is based on the final fee charged in 2015/16.

Our final fee for 2017/18 is £12,535, an increase of £2,000 from the indicative fee, arising from a comparison of the total quantum of work undertaken in 2017/18 compared with 2015/16. In 2017/18, two lots of extended testing were undertaken compared to none in 2015/16, either as a result of errors identified in the year, or as a result of prior year errors which the methodology required to be followed up in 2017/18. Although one lot of additional testing was undertaken by the Council on our behalf we also identified some issues with the documentation of testing work undertaken by the Council which we were required to correct, and extend our level of performance of the Council's work.

The additional fee is based on the additional auditor hours required in respect of the extended testing, and hourly rates which are stipulated by PSAA.

We have discussed and agreed the overall fee increase with the Strategic Director (Resources). The final fee is subject to agreement by Public Sector Auditor Appointments Ltd.

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