

REPORT TITLE: GOVERNANCE QUARTERLY UPDATE – Q1 2018/19

31 JULY 2018

REPORT OF PORTFOLIO HOLDER: CLLR ASHTON PORTFOLIO HOLDER FOR FINANCE

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WARD(S): ALL

PURPOSE

To provide members of the Audit Committee with a summary overview of the key issues in respect of governance arising during the first quarter of the 2018/19 financial year.

RECOMMENDATIONS:

1. That the Audit Committee notes the content of the report and the progress against the Internal Audit Plan as set out in Appendix 1.

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

- 1.1 This summary document supports the Council's approach to providing efficient public services by managing and highlighting the latest key governance issues for action.

2 FINANCIAL IMPLICATIONS

- 2.1 None identified.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None identified

4 WORKFORCE IMPLICATIONS

- 4.1 None.

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.

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 first quarter of the 2018/19 financial year concerning governance.

Annual Governance Statement

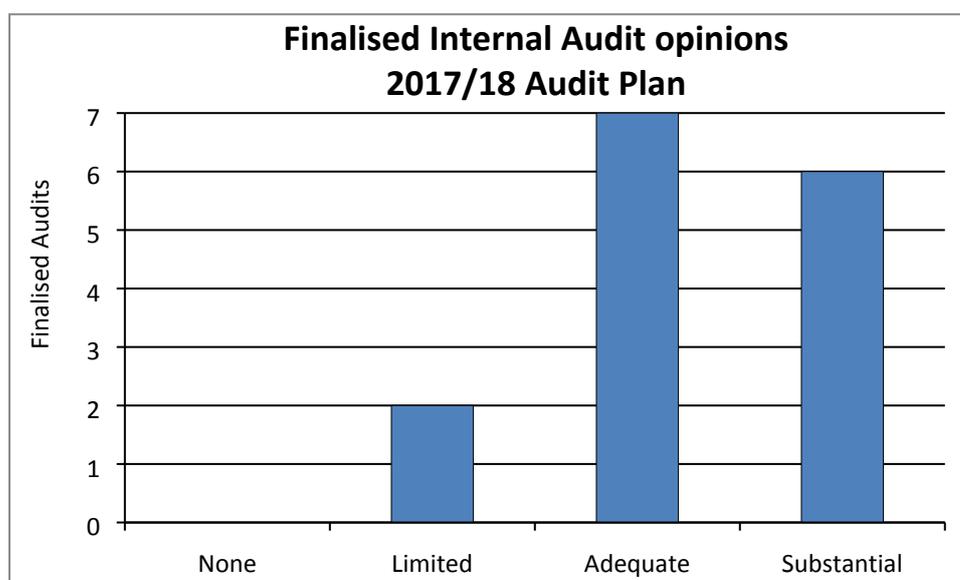
- 11.2 Progress against the actions included in 2016/17 Annual Governance Statement was reported to the last meeting of this Committee (Report AUD210 refers).
- 11.3 The updated Annual Governance Statement (AGS) is included in Report AUD216, elsewhere on this committee's agenda. Progress against the action plan included with the AGS will be reported to the Committee at its next meeting to be held on 29 November 2018.

Gifts and Hospitality

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

Internal Audit assurance reports

- 11.6 The graph below shows the assurance levels of the internal audits that were included in the 2017/18 Audit Plan.



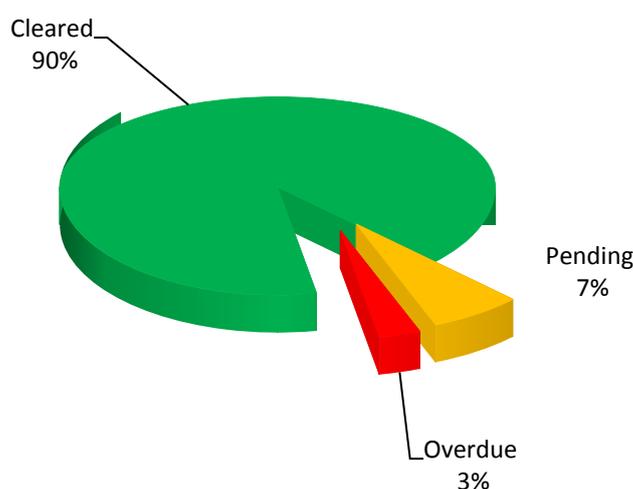
- 11.7 The limited assurance opinions are in respect of two audits completed during the year and these were for Partnership Working and Business Continuity.

There were no audit reports published during 2017/18 that concluded with a “no” assurance opinion.

Internal Audit Management Action Tracking

- 11.8 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.

Summary of audit recommendation responses



- 11.9 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.
- 11.10 To support the Committee 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.
- 11.11 The table below has been updated and includes only the internal audits where there are currently overdue actions.
- 11.12 There are currently 14 overdue audit actions with no high priority overdue actions.
- 11.13 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.
- 11.14 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	SDR	Limited	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Ethical Governance	25/10/16	SDR	Adequate	12 (1)	0 (0)	0 (0)	10 (1)	2 (0)
Environmental Health	04/11/16	SDS	Adequate	10 (9)	0 (0)	0 (0)	9 (9)	1 (0)
Information Governance	28/03/17	SDR	Adequate	11 (1)	0 (0)	1 (0)	6 (1)	4 (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)
Telecommunications	05/07/17	SDR	Adequate	8 (0)	0 (0)	0 (0)	7 (0)	1 (0)
Working in Partnership	05/10/17	SDP	Limited	6 (0)	0 (0)	0 (0)	4 (0)	2 (0)

External Audit

11.15 The results and findings of the external auditors audit of the Financial Statements for 2017/18 and the results of the work on the Council's arrangements to secure value for money in the use of resources is reported elsewhere on this Committee's agenda (Report AUD217 refers).

11.16 *Appointment of External Auditors for Housing Benefit Claims*

11.17 As reported previously to this Committee, Winchester City Council joined with other Hampshire local authorities in a framework tender led by Portsmouth City Council. This framework enables each authority (all those in Hampshire and the Isle of Wight as well as those in West Sussex and Surrey) to appoint an approved external auditor to undertake the assurance work on the subsidy claim, as prescribed by the Department of Work and Pension (DWP).

11.18 Four firms returned tenders for the contract. The firm evaluated as scoring highest, and therefore awarded the contract was KPMG.

12 OTHER OPTIONS CONSIDERED AND REJECTED

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

BACKGROUND DOCUMENTS:-**Previous Committee Reports:-**

AUD210 Governance Summary Report – Quarter 4 (2017/18)

Other Background Documents:-

None.

APPENDICES:

Appendix 1 Internal Audit Progress Report

Internal Audit Progress Report

July 2018

Winchester City Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

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1. Role of Internal Audit

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

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

2. Purpose of report

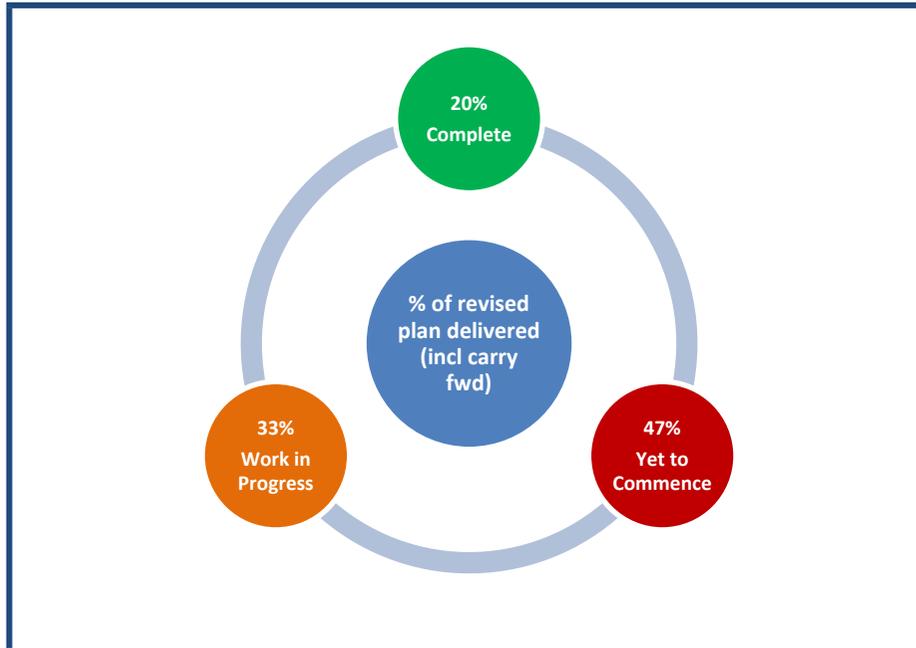
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

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

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards / Local Government Application Note



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

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

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

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Income Collection – Residential Parking Permits	04/11/15	SDR	Limited	6 (0)	0 (0)	0 (0)	6 (0)	0 (0)
Training and Development	18/02/16	CX	Limited	11 (4)	0 (0)	0 (0)	11 (4)	0 (0)
Hampshire Cultural Trust	24/05/16	SDR	Limited	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Procurement and contract management – Street Markets	18/08/16	SDR	Limited	7 (4)	0 (0)	0 (0)	7 (4)	0 (0)
Ethical Governance	25/10/16	SDR	Adequate	12 (1)	0 (0)	0 (0)	10 (1)	2 (0)
Environmental Health	04/11/16	SDS	Adequate	10 (9)	0 (0)	0 (0)	9 (9)	1 (0)
Information governance	28/03/17	SDR	Adequate	11 (1)	0 (0)	1 (0)	6 (1)	4 (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)
Contract management (Leisure, Waste Management and Street Cleansing)	29/06/17	SDS	Limited	9 (4)	0 (0)	0 (0)	9 (4)	0 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Telecommunications	05/07/17	SDR	Adequate	8 (0)	0 (0)	0 (0)	7 (0)	1 (0)
Cyber Security	27/09/17	SDR	Adequate	5 (1)	0 (0)	3 (0)	2 (1)	0 (0)
Working in Partnership	05/10/17	SDP	Limited	6 (0)	0 (0)	0 (0)	4 (0)	2 (0)
Housing Finance	13/12/17	SDR	Adequate	4 (0)	0 (0)	0 (0)	4 (0)	0 (0)
Accounts Receivable and Debt Management	22/12/17	SDR	Adequate	4 (0)	0 (0)	0 (0)	4 (0)	0 (0)
IT Software Licensing and IT Asset Management	12/03/2018	SDR	Adequate	3 (0)	0 (0)	1 (0)	2 (0)	0 (0)
Network Management	26/04/2018	SDR	Adequate	10 (0)	0 (0)	10 (0)	0 (0)	0 (0)
Business Continuity	30/04/2018	SDS	Limited	9 (2)	0 (0)	8 (1)	1 (1)	0 (0)
Housing Planned Maintenance	01/05/2018	SDS	Adequate	2 (0)	0 (0)	2 (0)	0 (0)	0 (0)
Income Generation and Collection	11/06/2018	SDP	Adequate	8 (0)	0 (0)	6 (0)	2 (0)	0 (0)

Audit Sponsor (Director)	
Chief Executive	CX
Strategic Director - Resources	SDR
Strategic Director - Services	SDS
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 – 30.06.18
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	10.5 days***
Total number of new fraud cases investigated	Nil **

*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							✓	Q3
Transformation	SDR							✓	Q3
Financial Stability	SDR							✓	Q3
Corporate Strategy									
Delivering an Entrepreneurial approach to efficient public services									
Asset Management	SDP	✓						✓	
Digital Agenda	SDR							✓	Q2
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
Health & Safety	SDP							✓	Q3
GDPR Compliance	SDR							✓	Q2
Core Financial Systems									
Housing Rents	SDS	✓						✓	
Main Accounting	SDR	✓	✓	✓				✓	
IT									
Applications management	SDR	✓	✓	✓				✓	
Data security and management	SDR	✓						✓	
Mobile devices	SDR							✓	Q3
Business as Usual									
Bus Service Operator Grant	SDS	✓						✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Housing Capital Receipts Return	SDS							✓	Q2
Mayor's Charity	SDR							✓	Q3
Risk Management	SDR	✓	✓	✓				✓	
Licensing	SDS	✓						✓	Moved to Q3 at the request of the client.

9. Adjustments to the plan

None.