

REPORT TITLE: GOVERNANCE QUARTERLY UPDATE – Q2 2018/19

29 NOVEMBER 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 second 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 and Annual Governance Statement as set out in Appendices 1 and 2.

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

Annual Governance Statement

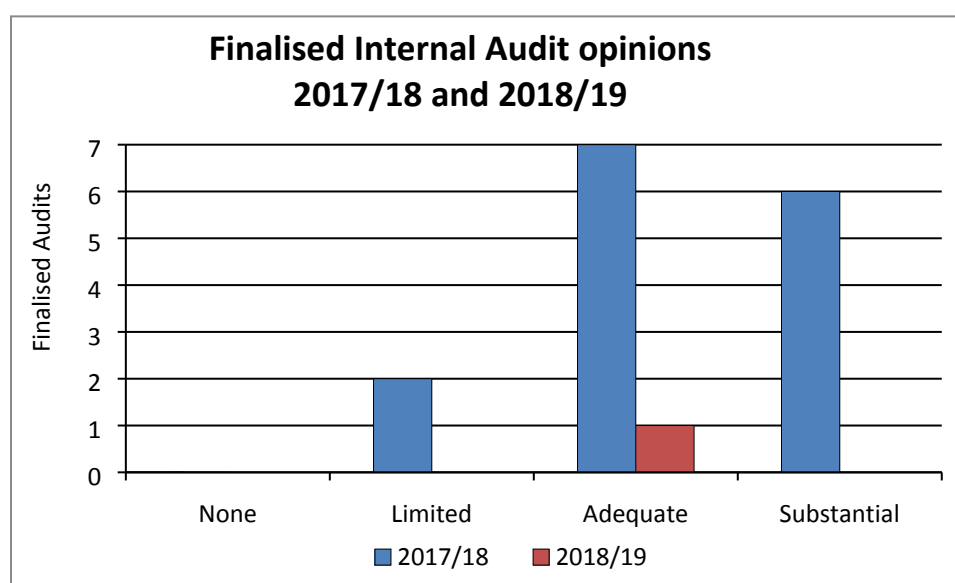
- 11.2 Progress against the actions included in the 2017/18 Annual Governance Statement is included in Appendix 2 to this report.

Gifts and Hospitality

- 11.3 During the period July to September 2018, there were six 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.

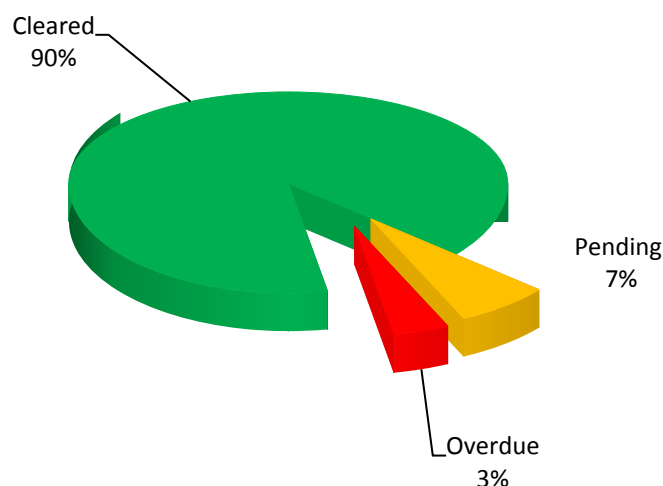


- 11.6 The limited assurance opinions issued during 2017/18 were in respect of two audits completed and these were for Partnership Working and Business Continuity. There have been no audit reports published during 2017/18 or 2018/19 that concluded with a “no” assurance opinion.

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

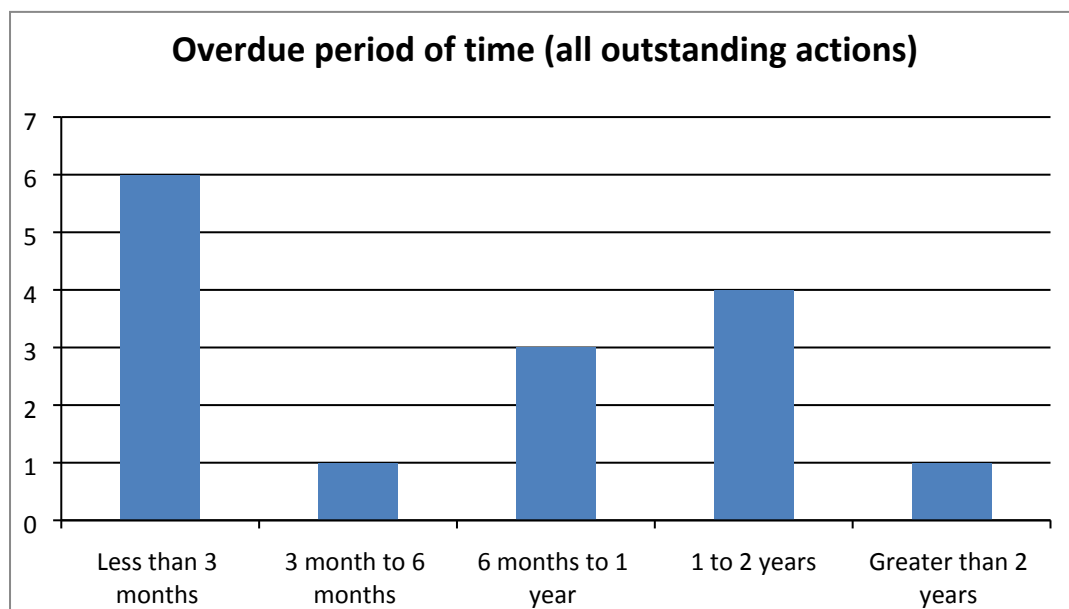


- 11.8 Progress against the management actions that are included in the Internal Audit reports are reviewed regularly and a summary table showing the status of these actions is reported on a quarterly basis. These recommendations and actions are kept under regular review to assess where some are superseded 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	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)
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)	1 (0)	2 (1)	2 (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)	3 (0)	3 (0)	2 (0)
Risk Management	26/10/18	SDR	Adequate	6 (2)	0 (0)	5 (2)	0 (0)	1 (0)

11.14 At the last meeting of the Committee, Members 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 Audit Letter 2017/18 included elsewhere on this Committee's agenda (report AUD221 refers) concludes with an unqualified opinion on the Council's financial statements for 2017/18.

12 OTHER OPTIONS CONSIDERED AND REJECTED

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

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD214 Governance Quarterly Update – Q1 2018/19

Other Background Documents:-

None.

APPENDICES:

Appendix 1 Internal Audit Progress Report

Appendix 2 Annual Governance Statement (AGS) Monitoring Report

Internal Audit Progress Report

November 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 organisation's objectives.

2. Purpose of report

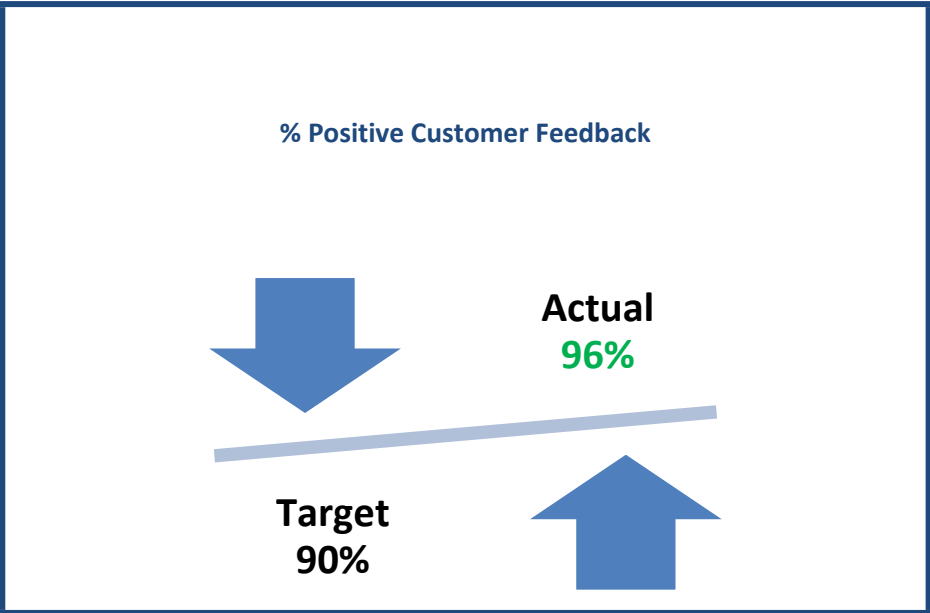
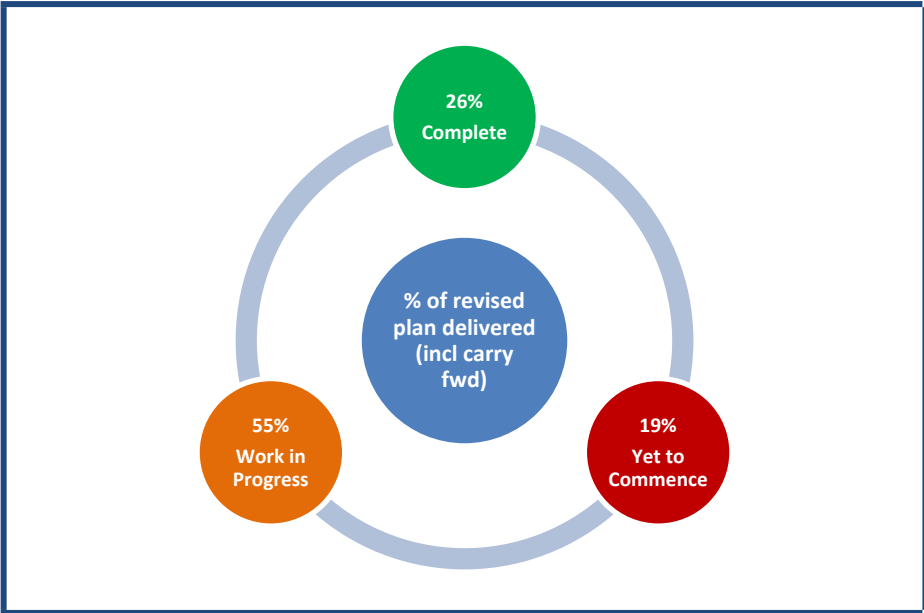
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

- 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



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 2018 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
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)	10 (9)	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)
Telecommunications	05/07/17	SDR	Adequate	8 (0)	0 (0)	0 (0)	8 (0)	0 (0)
Cyber Security	27/09/17	SDR	Adequate	5 (1)	0 (0)	1 (0)	2 (1)	2 (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)	1 (0)	2 (0)	0 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Network Management	26/04/18	SDR	Adequate	10 (0)	0 (0)	10 (0)	0 (0)	0 (0)
Business Continuity	30/04/18	SDS	Limited	9 (2)	0 (0)	8 (1)	1 (1)	0 (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)	3 (0)	3 (0)	2 (0)
Procurement	12/07/18	SDR	Adequate	3 (0)	0 (0)	3 (0)	0 (0)	0 (0)
Risk Management	26/10/18	SDR	Adequate	6 (2)	0 (0)	5 (2)	0 (0)	1 (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 – 31.10.18
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	33 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	✓	✓					✓	
Transformation	SDR	✓						✓	
Financial Stability	SDR							✓	Q3
Corporate Strategy									
Delivering an Entrepreneurial approach to efficient public services									
Asset Management	SDP	✓	✓	✓	✓			✓	
Digital Agenda	SDR	✓	✓	✓				✓	
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	✓	✓	✓				✓	
Improving the quality of the District's environment									
Development / Building Control	SDS							✓	Q4
Environmental Services Contract	SDS							✓	Q4
Governance									
HR - Expenses	SDR	✓	✓					✓	
HR – Use of Agency Staff	SDR							✓	Q3
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								Q4

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⓧ Delay)	Comment
Contract Management	SDR	✓						✓	
Health & Safety	SDP	✓	✓	✓				✓	
GDPR Compliance	SDR	✓	✓	✓				✓	
Core Financial Systems									
Housing Rents	SDS	✓	✓	✓				✓	
Main Accounting	SDR	✓	✓	✓	✓			✓	
IT									
Applications management	SDR	✓	✓	✓				ⓧ	Delayed due to client availability
Data security and management	SDR	✓	✓	✓				ⓧ	Delayed due to client availability
Mobile devices	SDR	✓	✓					✓	
Business as Usual									

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Bus Service Operator Grant	SDS	✓	✓	✓	-	-	-	✓	Grant certification work
Housing Capital Receipts Return	SDS	✓						✓	Grant timings still to be confirmed by Ministry of Housing.
Mayor's Charity	SDR							✓	Q3
Risk Management	SDR	✓	✓	✓	✓	✓	Adequate	✓	
Licensing	SDS	✓						✓	

9. Adjustments to the Plan

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.

Annual Governance Statement 2017/18

Progress Report – November 2018

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.	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 fieldwork completed and draft report issued.	Corporate Head of Asset Management	Audit to be carried out during Q2 of 2018/19	Green
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
		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	Strategic Director: Resources	October 2018	Green

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
			arrangements			
		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	Scoping meeting held for the audit in October with fieldwork during late October and November.	Strategic Director: Resources	December 2018	Green
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
6	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)	Strategic Director: Resources	October 2017	Green