

ANNUAL GOVERNANCE STATEMENT AND EXTERNAL AUDITOR'S AUDIT FINDINGS 2014/15 – PROGRESS AGAINST ACTION PLANS

<u>Report of the:</u>	Director of Finance & Resources
<u>Contact:</u>	Kathryn Beldon or Gillian McTaggart
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	N/A
<u>Annexes/Appendices (attached):</u>	<u>Annexe 1</u> - The Council's Annual Governance Statement 2014/15 – progress report <u>Annexe 2</u> – External Auditor's Audit Findings 2014/15 – update on progress
<u>Other available papers (not attached):</u>	Financial Statements 2014/15

REPORT SUMMARY

This report sets out progress on the actions contained in the Council's Annual Governance Statement and in the Annual Audit Findings issued by the External Auditor following audit of the Financial Statements.

RECOMMENDATION

- (1) That the Committee receives a report on progress in implementing the Action Plan contained within the Annual Governance Statement and the Audit Findings within the External Auditors Report.**

Notes

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 Corporate Governance affects all aspects of the Council's services because it relates to the framework in which decisions are made. It is defined as the system by which local authorities direct and control their functions and relate to their communities.
- 1.2 The Annual Governance Statement (AGS) is prepared by the Council each year and published within the Financial Statements. The AGS sets out the controls for good governance that the Council has in place and identifies high level risks to those controls that have been identified in reviewing the Council's operations.

- 1.3 The Audit Findings for the Council is prepared by the External Auditor (Grant Thornton) following the audit of the accounts and includes recommendations for improvements in controls following the conclusion of the external audit.
- 1.4 This Committee monitors the delivery of action agreed in both Governance documents. This underpins the Council's Core Value of openness and honesty.

2 Annual Governance Statement

- 2.1 The Annual Governance Statement (AGS) forms part of the Council's audited Financial Statements. The AGS identifies key risks to the Council's performance at the end of the financial year and the actions to be taken to address those risks during the following year. This Committee is consulted in the preparation of the Annual Governance Statement which is then approved by the Strategy and Resources Committee when the draft financial statements are received in June.
- 2.2 The Annual Governance Statement for 2014/15 identified nine significant governance risks. The control issues identified in the AGS generally reflect the high risk to the delivery of public services during a period of recession and funding cuts. The risks also reflect more specific risks over resilience of smaller district councils. These risks are as follows:-
 - 2.2.1 **Financial Pressures** – The Council continue to be at risk of budgetary cuts and increase reliance on income streams
 - 2.2.2 **Corporate Governance** – A review of corporate governance has identified a number of weaknesses and failure to comply with procedures.
 - 2.2.3 **Procurement** – the Council is at risk of noncompliance with legislation and Contract Standing Orders
 - 2.2.4 **Managing resources** –the Council has limited resources and skills to deliver service improvements
 - 2.2.5 **Performance Management**- The current framework does not produce the information to address and measure key targets.
 - 2.2.6 **Information Governance** – The Council need to ensure that the mandatory training is complete and all staff is aware of the policies.
 - 2.2.7 **Homelessness** – The rising costs of homelessness has resulted in significant increased budgetary constraints.
 - 2.2.8 **Fraud** – Fraud training and awareness needs to be provided to all staff
 - 2.2.9 **Transparency** – The Council have not met all the requirements of the Transparency Agenda
- 2.3 Progress made on the action plan is shown in [Annexe 1](#) to this report.

- 2.4 Officers believe that this addresses the control issues identified in the 2014/15 Annual Governance Statement.

3 Annual Findings from External Audit

- 3.1 This Committee also monitors the implementation of the External Auditor's recommendations in the report of Audit Findings issued after the audit of the financial statements is completed.

- 3.2 The External Auditor presented the Audit Findings to Strategy and Resources Committee on 29 September 2015.

- 3.3 An unqualified opinion was issued for 2014/15.

- 3.4 The External Auditor identified three residual risks following their VFM Conclusions rated as Green, Amber and Red. These were as follows

- 3.4.1 **Executive & Member Engagement (Financial Governance)** The Council should ensure that the Heads of Service have received full training and on-going support during 2015/16 to ensure that they fulfil the enhanced role in leading the Council as part of the newly formed management team. There needs to be corporate focus by the Heads of Service from 2015/16 onwards to ensure the whole Council delivers the budget and savings identified. (Green)

- 3.4.2 **Budget setting & monitoring – revenue & capital (Financial Control)** The Council should ensure that amendments to the capital programme during the year are realistic and achievable by year end to avoid significant slippage in the next financial year. In addition, the Council should ensure that when capital programme budgets are approved they are realistic to ensure that the final project costs are not overspent. (Amber)

- 3.4.3 **Effectiveness of key services (improving efficiency & productivity)** The Council received a red rated report from Internal Audit during the year for the procurement arrangements. Improvements need to be made in the service and the internal audit recommendations and the findings from the recent external health check should be implemented to ensure value for money is achieved in contract procurements (Red).

- 3.5 The agreed Action Plan and progress to date is shown in Annexe 2.

4 Financial and Manpower Implications

- 4.1 There are no implications for the purposes of this report.

- 4.2 **Chief Finance Officer's comments:** None for the purposes of this report.

5 Equalities and Other Legal Implications; Sustainability Policy and Community Safety Implications; Partnerships

- 5.1 There are no implications for the purposes of this report.

- 5.2 **Monitoring Officer's comments:** Good governance is important to ensuring that the Council undertakes its functions in a way that demonstrates compliance with the law and proper standards, and that public money is properly accounted for and used economically efficiently and effectively. Good governance ensures that strategic objectives are set and progress is measured. It also ensures that risks are managed appropriately. Good governance also links to the need to be transparent in what we do and that there is effective scrutiny of decisions.

6 Risk Assessment

- 6.1 The Annual Governance Statement forms part of the Council's corporate governance arrangements and failure to implement the actions would leave weaknesses in the Council's management controls.

7 Conclusion and Recommendations

- 7.1 Positive progress has been made in addressing the action required to improve the significant control issues identified in the 2014/15 financial statements.
- 7.2 The Committee is asked to note;
- a) The progress made on the implementation of actions agreed by the Council in the Annual Governance Statement.
 - b) The Action Plan agreed with the External Auditor and contained in the 2014/15 Audit Findings.

WARD(S) AFFECTED: All