

ANNUAL GOVERNANCE STATEMENT AND EXTERNAL AUDIT FINDINGS

Head of Service/Contact:	Gillian McTaggart, Head of Corporate Governance
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Annexes/Appendices (attached):	Annex 1 – Progress Report – 2017/18 Annual Governance Statement Annex 2 – Progress Report – External audit Findings 2017/18
Other available papers (not attached):	Annual Governance Statement 2017/18

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 the audit of the financial statements.

Recommendation (s)

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

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 as part of the Financial Statements. The AGS is reviewed by the Committee prior to being reported to the Strategy & Resources Committee.

Audit, Crime & Disorder and Scrutiny Committee 22 November 2018

- 1.3 The Audit Findings prepared by the External Auditor following the audit of the accounts, include any recommendations that they may have made to improve controls.
- 1.4 This Committee monitors both the recommendations from External Audit and the recommendations contained in the AGS.

2 Background

- 2.1 The AGS identified key risks to the Council's performance at the end of the financial year and the actions being taken to address them.
- 2.2 The AGS for 2017/18 identified three significant issues. The control issues identified in the AGS are deemed a substantial risk to the Council's ability to deliver public services. These were;
 - 2.2.1 A number of codes, policies and strategies are out of date and in need of updating. (Reference to the Council as a whole.)
 - 2.2.2 The Council has introduced alternative service methods and needs to ensure the governance arrangements are clear. (Reference to the Epsom & Ewell Property Investment Company Limited.)
 - 2.2.3 The Council has received confirmation that it is at risk of designation for the quality of decision making although an improvement plan is in place resulting from the Planning Peer Review. (Reference to the Council's planning decisions.)
- 2.3 Progress made on addressing these issues is shown at **Annex 1**. These matters will be followed up in the AGS for 2018/19 which will be reported to the Committee in June.

3 Annual Findings from External Audit

- 3.1 This Committee also monitors the implementation of the External Auditor's recommendations contained in the Audit Findings report. These findings were initially presented to the Strategy & Resources Committee on 26 July 2018. Overall an unqualified opinion was issued and the External Auditor only raised one recommendation. This recommendation, categorised as a medium risk, related to the governance arrangements for the Council's wholly owned company Epsom and Ewell Property Investment Company (EEPIC).
- 3.2 The auditors recommended that the Strategy & Resources Committee assess if the present governance arrangements for EEPIC provides the level of assurance required.

Audit, Crime & Disorder and Scrutiny Committee 22 November 2018

3.3 Progress made is recorded at **Annex 2** to this report and explains the action taken. The Committee should also note that the findings from the internal audit review are reported separately to this Committee in the Internal Audit Monitoring Report.

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 Legal Implications (including implications for matters relating to equality)

5.1 There are no implications for the purpose of this report.

5.2 **Monitoring Officer's comments:** None arising from the contents of this report.

6 Sustainability Policy and Community Safety Implications

6.1 None for the purposes of this report.

7 Partnerships

7.1 The Council is currently in the East Surrey Internal Audit Consortium. It is proposed that this arrangement, however, will end at the end of March 2019 when the Council will join the Southern Internal Audit Partnership, with all the current members of the Consortium. This arrangement will be for a period of 4 years and more details are provided in another report to this Committee.

8 Risk Assessment

8.1 Both the external audit arrangements and the process for compiling the AGS are a key part of the Council's governance arrangements. Failure to implement the recommendations from both External Audit and the AGS would leave weaknesses in the Council's controls.

9 Conclusion and Recommendations

9.1 It is positive that both the number of recommendations within the AGS and the External Audit Findings have reduced from those identified previously.

9.2 It is also positive that progress has been made in implementing all the recommendations

9.3 The Committee is asked to note;

Audit, Crime & Disorder and Scrutiny
Committee
22 November 2018

9.3.1 The progress made on implementing the actions in the Annual Governance Statement

9.3.2 The progress made in implementing the recommendation in the External Audit findings.

Ward(s) Affected: (All Wards);