

ANNUAL GOVERNANCE STATEMENT AND EXTERNAL AUDIT FINDINGS

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Annexes/Appendices (attached):	Annex 1 - Progress on Annual Governance Statement actions
Other available papers (not attached):	Annual Governance Statement

Report summary

This report sets out progress on the actions contained in the Council's Annual Governance Statement and any in the 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.**

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.
- 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.

Audit, Crime & Disorder and Scrutiny Committee 21 November 2019

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 Ensuring that the governance arrangements are fit for purpose is an on-going process and this report provides an update on progress.
- 2.3 The AGS for 2018/19 identified five 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;
 - 2.3.1 As a result of the restructure, staff changes and legacy IT issues there is a need to review and align business continuity plans and the arrangements for disaster recover.
 - 2.3.2 Although elements of the Constitution have been revised and a number policies and procedures have been updated, several remain out of date including fraud polices and HR policies.
 - 2.3.3 Implement the Members Induction programme for 2019/20 as a result of the May 2019 elections.
 - 2.3.4 The Council remains under financial pressure, implementing its Income Generation Plan and carrying external debt following acquisition of investment property.
 - 2.3.5 Some areas are unclear on the decision making process to ensure the correct authorities are obtained either through committee reports or delegated authority.
- 2.4 Progress made on addressing these issues is shown at **Annex 1**. These matters will be followed up in the AGS for 2019/20 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 30 July 2019. Overall an unqualified opinion was issued and the External Auditor raised no recommendations.
- 3.2 External audit confirmed that the one follow up recommendation from the 2017/18 accounts categorised as a medium risk, relating to the governance arrangements for the Council's wholly owned company EEPIC had been implemented

Audit, Crime & Disorder and Scrutiny
Committee
21 November 2019

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 purposes 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 There are no implications for the purposes of this report

7 Partnerships

7.1 The Council joined the Southern Internal Audit Partnership hosted by Hampshire County Council for the provision of internal audit services on the 1 April 2019.

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 External Audit did not identify any recommendations in their audit findings for 2018/19

9.2 It is also positive that progress has been made in implementing all the recommendations from the Annual Governance Statement.

9.3 The Committee is asked to note the progress made on implementing the actions in the Annual Governance Statement.

Ward(s) Affected: (All Wards);