

**ANNUAL GOVERNANCE STATEMENT AND EXTERNAL AUDITOR'S AUDIT
FINDINGS 2015/16 - PROGRESS AGAINST ACTION PLANS**

<u>Report of the:</u>	Director of Finance & Resources
<u>Contact:</u>	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 2015/2016 – progress report <u>Annexe 2</u> – Progress against residual risks
<u>Other available papers (not attached):</u>	Financial Statements 2015/2016

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 (S)

Notes

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

2 Annual Governance Statement

- 2.1 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 AGS which is then approved by the Strategy and Resources Committee when the draft financial statements are received in June.
- 2.2 The AGS for 2015/16 identified eleven 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 Public sector funding reductions and on-going financial pressures.
 - 2.2.2 Lack of staffing and resources due to budget pressures and legislative changes, impacting on the changes required to deliver savings and efficiencies and the impact on delivering core services.
 - 2.2.3 The Council has been through a period of change and a number of corporate governance issues have been addressed although there is further work to refine processes and procedures and monitor the impact of these changes.
 - 2.2.4 Improving the procurement function to ensure compliance with the Public Contracts Regulations 2015 and the Transparency Agenda.
 - 2.2.5 A new performance framework needs to be developed to support the Corporate Plan.
 - 2.2.6 There are a number of weaknesses in the control framework impacting on the PCI (Payment Card Industry) compliance.
 - 2.2.7 The cost of homelessness continues to rise adding to financial pressures
 - 2.2.8 All decisions are not properly reported to committee and reports are of inadequate standard

2.2.9 Lack of assurance that the Council have robust arrangements, appropriate approval, and adequate controls in place for the collection of CIL and S106 monies.

2.2.10 Fraud training and awareness needs to be provided to all staff.

2.2.11 Health and safety risks are not effectively managed

2.3 Progress made on the action plan is shown in Annexe 1 to this report.

2.4 A detailed work plan is in place to addresses the control issues identified in the 2015/16 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 27 September 2016.

3.3 An unqualified opinion was issued for 2015/16.

3.4 The External Auditor identified two residual risks following their Value for Money conclusion (VFM) . These were that the Council should explore the reporting on the non domestic rates (NDR) system to enable a detailed listing to be run (medium risk) and that the Council should ensure that monitoring the financial position is a priority throughout the year in light of stretched capacity of the Finance Team and the Leadership Team (medium risk) . Progress made on the action plan is shown in Annexe 2 to this report.

4 Financial and Manpower Implications

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

4.2 **Chief Finance Officer's comment:** The External Auditor has given the Council an unqualified opinion on the Statement of Accounts for 2015/16. The Annual Governance Statement is the key part of the controls in place to ensure effective governance across the organisation.

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:** *As stated above, the Annual Governance Statement is a key part of the controls in place to ensure that the Council is doing the right things, in the right way, at the right time.*

6 Sustainability Policy and Community Safety Implications

6.1 There are no implications for the purposes of this report.

7 Partnerships

7.1 There are no implications for the purposes of this report.

8 Risk Assessment

8.1 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.

9 Conclusion and Recommendations

9.1 Positive progress has been made in addressing the action required to improve the significant control issues identified in the 2015/16 financial statements.

9.2 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 2015/16 Audit Findings.

WARD(S) AFFECTED: (All Wards);