

# **Somerset West and Taunton Council**

## **Audit, Governance and Standards Committee**

**1 February 2021**

### **Somerset West and Taunton District Council Audit Findings Report 2019/20**

**This matter is the responsibility of Executive Councillor Henley, Corporate Resources**

**Report Author: Martin Henwood, Corporate Finance Advisor**

#### **1 Executive Summary**

- 1.1 This short covering report introduces the annual report of our external auditor Grant Thornton UK LLP outlining their findings from the audit of the 2019/20 Statement of Accounts for Somerset West and Taunton Council (SWTC), and of the arrangements in place to secure Value for Money.
- 1.2 A progress report and sector update was provided to the Audit Governance and Standards Committee on 7 September 2020. It was confirmed at that stage that significant delays had occurred due to coronavirus and that the deadline for completion of audit had moved to 30 November 2020 in updated Accounts and Audit Regulations.
- 1.3 The audit is nearing completion and Grant Thornton have indicated their intent to provide an unqualified opinion in respect of the accounts and value for money conclusion, however this will be confirmed verbally at the meeting when audit testing is expected to be completed.

#### **2 Recommendations**

- 2.1 The Committee is recommended to note the Audit Findings Report in respect of SWT's Statement of Accounts 2019/20.
- 2.2 The Committee is recommended to note the Auditor's Opinion in relation to the Statement of Accounts and Value for Money Conclusion

#### **3. Background and Full details of the Report**

- 3.1 The 2019/20 Unaudited Draft Statement of Accounts for SWT was signed off by the Council's S151 Officer in 13 August 2020 – within the updated statutory deadline of 31 August due to Coronavirus.

- 3.2 The accounts are subject to independent review by the Council's appointed external auditor – Grant Thornton UK LLP. The updated deadline for this was 30 November 2020, and a notice has been included on the Council's website indicating this date has not been met and that the audited accounts will be published as soon as is practicable.
- 3.3 As with Authorities nationally the delay has arisen due to a combination of factors, including
- the increased assurance work that auditors are required to carry out nationally with respect to pensions and asset valuations,
  - the impact of Covid-19 on both the complexity of the audit and pace at which it can be completed, and
  - in addition for SWTC, the inherent complexity of the Council's 2019/20 statement of accounts as the Council's first year of operation.
- 3.4 The Council is continuing to work closely with the audit team as they complete their work. In line with the Accounts and Audit Regulations 2015, the Council has published a set of draft accounts. The Council will publish a final set of accounts as soon as the audit is concluded, and the signed Audit Report issued. This work is now substantially complete and the near final Audit Findings Report is included within this item.
- 3.5 This situation has occurred for the majority of Councils. As at 30 November 2020 there were 265 of 485 Councils (55%) whose accounts remained to be signed off by their external auditors. This compares to the 43% unsigned at 31 July 2019 which was last year's deadline (pre-COVID).
- 3.6 Grant Thornton has indicated their intention to issue an "unqualified opinion" for the 2019/20 Statement of Accounts for SWT, subject to completing their work, thus agreeing that the accounts provide a true and fair view of the Council's financial position and performance.
- 3.7 The auditor has also reviewed the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, and provides a formal Opinion through their Value for Money Conclusion. Grant Thornton is satisfied "the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

#### **4 Links to Corporate Aims / Priorities**

- 4.1 This report links to the Council's aim of achieving financial stability.

#### **5 Finance / Resource Implications**

- 5.1 The auditors' report has identified adjustments that have been made to the Unaudited Statement of Accounts and these are itemised at Appendix C of the Grant Thornton Audit Findings Report.

- 5.2 It is worth noting that the external auditors are under significant pressure from the Financial Reporting Council in relation to property valuations. A consequence of this is that there is significantly more rigour being applied in the audits of property assets, including engaging qualified Valuers to assist in the audit of property assets on occasions. These requirements have impacted on the creation of the new Balance Sheet, where significant evidence is required to prove ownership and value of historic assets has been an onerous task for all parties.
- 5.3 The most significant changes between the Unaudited and Final Statement of Accounts relate to changes in category from Investment Properties (note 16) to PPE (Property, Plant and Equipment) Land and Buildings (note 17). Almost all of this relates to the Thales site, and reflects the changing circumstances (Audit Findings Report Appendix C, page 25, fourth item).
- 5.4 As this is the first set of accounts for the Council, there are no comparative figures for previous years, in line with required presentation. The new Balance Sheet of the Council as at 1 April 2019 is included at Note 4 within the Statement of Accounts, based on assets, liabilities and reserves transferred to SWTC on that date from Taunton Deane Borough Council and West Somerset Council.

## 6 Legal Implications

- 6.1 The Council has a statutory duty to produce financial statements.

Democratic Path:

- Audit Governance and Standards Committee – 1 February 2021

Reporting Frequency: Annually

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