

# **Annual Report of the Audit, Governance and Standards Committee – 2020/2021 Year**

## **1. INTRODUCTION**

To provide Members of the Council with details of the work carried out by the Audit Governance and Standards Committee (AGSC) during the year ended 31 March 2021. The report also details how the AGSC has fulfilled its terms of reference during this period.

## **2. BACKGROUND**

The AGSC function is to provide assurance of the adequacy of the risk management framework and associated control environment; provide scrutiny of the Council's financial and non- financial performance to the extent that it affects the Council's exposure to risk and weaknesses in the control environment, and oversees the financial reporting processes.

The Committee's specific powers are set out the Terms of Reference in the Constitution. Audit Committees are a key component of Corporate Governance and provide an important source of assurance about an organisation's arrangements and practices for managing risks, maintaining an effective control environment, together with reporting on financial and other performance.

In 2018, The Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance to local authorities to help ensure that AGSC's operate effectively. The AGSC has adopted the procedures set out in this guidance as best practice.

The guidance also recommends that the AGSC's report annually on how they have discharged their duties.

## **3. WORK UNDERTAKEN AND FINDINGS**

The AGSC have met on six occasions in the year between April 2020 and the date of this report (2 February 2021) prior to the required reporting date of 8 March 2021. The last committee of this financial year is 8 March 2021. All meetings have been conducted in virtual 'Zoom' surroundings so far, which is far from easy and never my preferred option. However, I think this will be the new norm for at least the rest of 2021, so I suppose I'd better just get used to it! There are also at least three more scheduled AGSC meetings due for the remainder of the calendar year 2021, in June, September and December 2021, but more are likely, as additional agenda items arise, and will be reported as appropriate in next year's report.

It has, overall, been a busy and informative year from both a financial and a governance perspective. During this period, the AGSC has assessed the adequacy and effectiveness of the Council's risk management controls and monitoring arrangements, together with the associated counter fraud systems.

The AGSC has reviewed various governance items.

All of this work conducted throughout wholly unpredictable and entirely unprecedented times of the COVID pandemic which, it is fair to say has had a very substantial impact in both the Council's work in their Financial Systems and Governance and also the

timescale and logistics of reporting and collating of relevant reports to both the AGSC and Internal and External Auditor requirements.

However, it has to be said that throughout this extremely testing period, the Financial Teams at Somerset West and Taunton Council (SWT), the Internal Auditors, SWAP and External Auditors, Grant Thornton have all worked tirelessly and gone well beyond their normal required workstreams expectations to ensure that the relevant projects were all completed and indeed delivered within a very satisfactory timescale indeed, all things considered.

I want to put on record, as Chair of the AGSC my formal thanks to Paul Fitzgerald and the SWT Finance Teams, both sets of Auditors, Grant Thornton and SWAP, the SWT Governance Team, Clare, Amy, Marcus and Andrew and indeed the AGSC members too for all their help, support, guidance and counsel during these very challenging times, and indeed in my first year as Chairman of the AGSC. They have supported me in every way possible and I cannot thank them enough in helping us all through this past year in what has been a real team effort. There has also been some humour amongst proceedings which, as you know, I do like to encourage!

Coupled with the fact that Transformation is still winding its way through the SWT financials and we are still seeing the after effects of this, I think that we have managed to head off an almost 'Perfect Storm' together really well and I am proud of everyone's contribution and effort towards this throughout this very unprecedented year.

The AGSC has recently reviewed and approved the 2020 Statement of Accounts for the new SWT, at last emerging from two former district councils' (Taunton Deane and West Somerset). Both internal auditors (SWAP), and Grant Thornton External Auditors along with I as Chair and the rest of the AGSC, have all thoroughly discussed the audit process with the new financials and all parties are very pleased with progress, despite the obstacles of COVID and Transformation. A great deal of scrutiny and challenge was put into these first year accounts but I am overall very pleased with the resulting outcome. Analysing a brand new set of first years financials is never easy when there have been no previous comparable to trend against. Nevertheless, all parties mentioned are satisfied with progress in this regard and deem it a very good result and a reasonably healthy and assured future for a first full year's financials with no major High Risk issues to be highlighted at this stage.

### **Financial Statements**

The 2020 Statement of Accounts for the new SWT Authority were late and formally reported as such. However, this was due to a combined effect of COVID, remote working and staff shortages/illness throughout the process. The AGSC were kept informed and updated throughout and SWT was amongst 55% District Councils nationally that were late presenting their year-end financials for the same reason. So we were certainly not alone!

Each Council's Statements of Accounts received an Auditor's unqualified opinion and each entity was considered "value for money".

### **External Audit**

During 2020, Grant Thornton's audit plan updates were received regularly throughout the year. We have approved the 2021 audit plan and fees. As mentioned above, the AGSC was kept informed throughout and Grant Thornton have confirmed that there was no delay or impact on gaining information from SWT's finance team that led to these delays. Again reassuring.

### **Internal Audit**

This function is provided by SWAP. It appears to be very effective.

During the year, the AGSC has received and considered various items highlighted by SWAP, together with SWAP's schedule of work to be performed over the financial year. Some of the items identified have been resolved. However, some matters, some of which are carried forward from last year, remain unresolved.

The AGSC have asked SWAP to prioritise these during 2021 and agreed that a regular update report will be brought to AGSC for rigorous challenge to ensure these items are concluded.

I have not listed or catalogued all outstanding risk issues that are under discussions at the AGSC, however, members can access the relevant information in the appropriate AGSC minutes and agendas in Mod.Gov and either I, the AGSC, Governance or the SWT Finance Team will be more than happy to answer any member or public queries if they arise. Suffice to say all relevant parties are in agreement that the SWT's governance process and audit procedures are generally fit for purpose going forward.

### **Summary**

As mentioned above, it has been a challenging year for both the new Council and the AGSC. Covid, Transformation staff losses, remote working and other factors have hindered the progression of many projects and system alignments. It is hoped that next year is rather more "harmonious" from both a staffing and systems perspective, so that this new Council may flourish.

I am satisfied, as is the AGSC that the SWT's Governance and Audit processes are fit for purpose and am reassured that the Internal and External Audit functions independently share that view.

The new internal structure and updated Code of Corporate Governance should assist moving forward.

Councillor Lee Baker, Chair Audit Governance and Standards Committee