

## SWT Audit and Governance Committee - 26 July 2021

Present: Councillor Lee Baker (Chair)

Councillors Ed Firmin, Simon Coles, Hugh Davies, Dawn Johnson, Janet Lloyd, Steven Pugsley, Terry Venner and Sarah Wakefield

Officers: Paul Fitzgerald, Jackson Murray, Alison North and John Dyson

Also Present: Councillors Loretta Whetlor

(The meeting commenced at 6.15 pm)

### 14. Apologies

Apologies were received from Councillors Milne and Peters

### 15. Minutes of the previous meeting of the Audit and Governance Committee held on 14 June 2021.

(Minutes of the meeting of the Audit and Governance Committee held on 14 June circulated with the agenda)

**Resolved** that the minutes of the Audit and Governance Committee held on 14 June be confirmed as a correct record.

### 16. Declarations of Interest

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

Name	Minute No.	Description of Interest	Reason	Action Taken
Cllr L Baker	All Items	Cheddon Fitzpaine & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr S Coles	All Items	SCC & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr H Davies	All Items	SCC	Personal	Spoke and Voted
Cllr J Lloyd	All Items	Wellington & Sampford Arundel	Personal	Spoke and Voted
Cllr A Milne	All Items	Porlock	Personal	Spoke and Voted
Cllr M Peters	All Items	Taunton Charter Trustee	Personal	Spoke and Voted
Cllr T Venner	All Items	Minehead	Personal	Spoke and Voted

17. **Public Participation**

There was no public participation.

18. **Audit and Governance Committee Forward Plan**

(Copy of the Audit and Governance Committee Forward Plan, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance Team.

**Resolved** that the Audit and Governance Committee Forward Plan be noted.

19. **External Audit Report on Objection to TDBC 2018/19 Accounts**

The 2018/19 Statement of Accounts for Taunton Deane Borough Council (TDBC), one of the predecessors of Somerset West and Taunton Council (SWTC), was approved by the Audit Governance and Standards Committee on 11 November 2019. The Committee received the external auditor's unqualified audit opinion, which supported the conclusion the accounts presented a true and fair view of TDBC's financial performance and position for the year ended 31 March 2019.

Although the accounts had been approved and published together with the auditor's opinion, as reported at the time, there remained an outstanding matter in respect of an objection to the accounts. This was lodged with the auditor by a local elector, exercising their rights under the Accounts and Audit Regulations 2015, related to redundancy payments. The final notice to close the audit for 2018/19 had not been issued by Grant Thornton LLP pending the review and findings in respect of the objection.

The report presented a summary of the work undertaken by Grant Thornton LLP in response to the Objection, and their conclusions and recommendations.

Grant Thornton LLP had subsequently issued its notices of the conclusion of the audit for both the 2018/19 TDBC Accounts and the 2019/20 SWTC Accounts.

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Grant Thornton LLP had concluded its review in response to the objection, with a summary of the background, work undertaken, findings and recommendations included in the report.

The external auditor concluded:

- a) He would not issue a Report in the Public Interest
- b) He did not believe the redundancy payments were unlawful and would not be seeking a declaration from the Court to that effect.

There were valuable lessons identified within the recommendations presented by Grant Thornton in the report, which members were requested to note and take into account in any future decision making in respect of redundancies.

During the debate the following comments and questions were raised:-

- There was a statutory right of appeal, the objector had been advised to take legal advice to where they stood under the right of appeal.
- The lack of audit trail was a concern to committee members, that there was no trail of evidence of the decisions made along with some key information retained by the previous Council.

The Audit and Governance Committee:-

1. Noted the summary report and recommendations from Grant Thornton LLP in respect of the Objection to the Taunton Deane Borough Council Statement of Accounts 2018/19.
2. The Committee noted that Grant Thornton LLP gave notice on 21 June 2021 of the Conclusion of the 2018/19 Audit for Taunton Deane Borough Council and of the 2019/20 Audit of Somerset West and Taunton Council.

## 20. **External Audit Progress Report and Sector Update**

The report provided the Audit and Governance Committee with a progress update regarding the work of the external auditor, Grant Thornton LLP, together with information relating to emerging issues which may be relevant to the Council.

The Council's external audit function is undertaken by Grant Thornton. The external auditors, as part of their work, provide regular progress updates to Members via the Audit and Governance Committee together with updates in relation to emerging national issues which may be of relevance to the Council.

During the debate the following comments and questions were raised:-

- The deadline of the draft benefits return was April which had been received within the deadline.
- Historically identified issues were acknowledged as minor values against a total claim which amounted to millions of the overall budget.
- It was requested if the public information and leadership reports referred to in the report could be circulated to the Committee following the meeting.
- It was questioned if the organisation should be concerned with the lack of candidates being considered for Audit roles. The challenge around recruitment was recognised and this was a challenge across many sectors.
- It was questioned how effective the current Audit and Governance Committee was and what the officer view was in relation to the questioning of the Committee.

The officer's response set out that the Committee engaged in robust and relevant questioning of items that were considered.

- It was considered what areas of questioning would be beneficial in the future to prevent issues arising in relation to the Auditing process and the roles and responsibilities of the committee.

The Audit and Governance Committee considered and noted the Progress Report and Sector Update received from Grant Thornton.

## 21. **External Auditor Risk Assessment 2020/21 - ISA240 Inquiries of Management**

Grant Thornton LLP as the Council's appointed auditor was responsible for the audit of the accounts for the periods 2019/20 through to 2022/23. As part of their preparation for the 2020/21 audit, Grant Thornton had followed its risk assessment procedures to obtain an understanding of management processes in a number of areas. The report shared the information provided by the Council's management to help inform the risk assessment.

Grant Thornton LLP was the Council's appointed auditor responsible for the audit of the accounts for the periods 2019/20 through to 2022/23.

As part of their preparation for the 2020/21 audit, Grant Thornton LLP had followed its risk assessment procedures to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud
- Laws and Regulations
- Related Parties
- Accounting Estimates

The report shared the information provided by the Council's management to help inform this risk assessment.

The Committee was requested to review the information provided and consider whether it was consistent with its understanding. The Committee were asked to consider whether there were any other comments it wished to make to inform the risk assessment undertaken by Grant Thornton LLP.

During the debate the following comments and questions were raised:-

- Questioning took place around advisors engaged in the 20/21 tax year and the relevance of the costs of these advisors. This was from a financial reporting point of view alongside a value for money point of view. Advisors were usually engaged for specific and complex pieces of work. The Council engaged a number of advisors. The key spends in 2021 were set out above the value of £50k for consideration.
- Advisors were often engaged through a procurement programme and would be part of delegated management arrangements to appoint relevant advisors.
- Pension deficits set out in the report were questioned in relation to former employees. These were former TDBC employees and referred to employees of the previous authority.
- It was recognised by officers that a future item of the Powys counter fraud partnership would be added to the forward plan in due course.

- The risks used as part of the external audit would be captured in the Councils risk register which was a key tool already in place and considered at the Committee.
- The item would be reconsidered at a future meeting of the Audit and Governance Committee but this still needed to be timetabled into the forward plan.

The Committee noted the information provided to Grant Thornton LLP to inform their risk assessment for the 2020/21 audit.

## 22. **Annual Governance Statement 2020/21**

The Annual Governance Statement (AGS) provided assurance on the governance arrangements and control environment within the Council.

The Accounts and Audit Regulations 2015 set out that 'a relevant authority must, each financial year:

- (a) conduct a review of the effectiveness of the system of internal control; and
- (b) prepare an annual governance statement

The Statement was prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) guidance titled 'Delivering Good Governance in Local Government: Guidance Notes for English Authorities and Framework.'

The Statement had also been prepared taking into consideration the contents of the CIPFA Bulletin 06 – Application of the Good Governance Framework for 2020/21, which concerned the impact of the continuing Covid-19 pandemic on governance arrangements.

The Framework defined the principles that should underpin governance as:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the intervention necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

The Annual Governance Statement included an Action Plan to address any governance issues identified as a result of the review of the effectiveness of the system of internal control. Details of the Council's Governance Framework was included as part of the Annual Governance Statement in Appendix A of the report.

In order to ensure that the actions were being delivered it was important the Committee reviewed progress against the Action Plan, and update reports would be brought to the Committee in September and December 2021 and March 2022.

The final version of the Annual Governance Statement would be presented to the Committee at the meeting where the Annual Statement of Accounts were considered in order to make any amendments following the External Audit process.

During the debate the following comments and questions were raised:-

- Recommendations in relation to audits had been added to the recommendation tracker, it was questioned where the tracker was located.
- Although it was recognised that the tracker was considered by the committee on a regular basis, an update of the tracker was requested.
- The whistleblowing policy was questioned, this remained an outstanding action to be communicated.
- Points A-G commitments to good governance were considered, adding inclusiveness and disadvantaged groups was requested to be added in point B. This was Cipfa Guidance and could not be changed. This would be taken away to be considered to see if this could be incorporated more widely as part of the Governance Statement.

That the Committee:

- 1 Approved the draft Annual Governance Statement and Action Plan (Appendix B) for 2020/21.
2. Noted the outturn position for the 2019/20 Action Plan.

(The Meeting ended at 7.10 pm)