

Somerset West and Taunton Council

Audit and Governance Committee – 27 September 2021

Somerset West and Taunton Council Audit Findings Report 2020/21

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

Report Author: John Dyson, Corporate Finance Manager (Interim)

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 2020/21 Statement of Accounts for Somerset West and Taunton Council (SWTC), and of the arrangements in place to secure Value for Money.
- 1.3 At the time of writing this report, 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 have been completed.

2 Recommendations

- 2.1 The Committee is recommended to note the Audit Findings Report in respect of SWTC's Statement of Accounts 2020/21.
- 2.2 The Committee is recommended to approve management's proposed treatment of unadjusted misstatements, as set out in Appendix C of the Audit Findings Report.
- 2.3 The Committee is recommended to note the Auditor's Opinion in relation to the Statement of Accounts and interim findings in respect of Value for Money arrangements.

3. Background and Full details of the Report

- 3.1 The 2020/21 unaudited Draft Statement of Accounts for SWTC was signed off by the Council's Assistant Director – Finance (s151 Officer) on 7 July 2021 – within the updated statutory deadline of 31 July. The Regulations continue to apply a delay to the usual deadlines in recognition of the Coronavirus pandemic, although that allowable delay has been scaled down from last year.

- 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 and subsequent approval of the statement of accounts is 30 September 2021.
- 3.3 Grant Thornton has indicated their intention to issue an "unqualified opinion" for the 2020/21 Statement of Accounts for SWTC, subject to finalising 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 undertaken work to review the Council's Value for Money arrangements. This review work is subject to a new Code of Audit Practice, which came into effect from the audit year 2020/21. The National Audit Office has permitted auditors an extension for this particular piece of work as a result of the ongoing pandemic, which has added to the greater extent of work required to conclude this aspect of reporting. The Auditor's final assessment will follow in the Auditor's Annual Report, which is anticipated for publication before 24 December 2021. At this interim stage, however, Grant Thornton reports that "We did not report any risks of significant weakness in our audit plan and our work to date has not identified any significant weaknesses."

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 compilation of the Balance Sheet, where significant evidence is required to prove ownership and valuations of historic assets, representing an onerous task for all parties. The audit also requires the review of valuations where changes in the property market, since the composition of data for the Balance Sheet, substantially impact on the valuations originally set for such assets.
- 5.3 The most significant changes between the Unaudited and Final Statement of Accounts relate to:

- Extending the Council's reclassification (in accordance with the Accounting Code) of residential units in the Coal Orchard development from Assets Held for Sale to Inventory, such that a prior year adjustment is required.
- Adjustments to infrastructure depreciation, which had first been attempted to bring into symmetry the accounting records of the two previous councils prior to unification in 2019.
- The impact of indices used to measure HRA properties becoming available since the original Balance Sheet was constructed.
- Extending the Council's reclassification (in accordance with the Accounting Code) of s106 developers' contributions such that a prior year adjustment is required; the reclassification removes these from Creditors to either Capital Grants Received or Capital Grants Unapplied or into a ringfenced Earmarked Grants Reserve (depending upon individual grant stipulations).

5.4 Other transactional changes made to the Statement of Accounts either fall below the Auditor's defined level of materiality, although have been implemented in order to enhance accuracy and completeness, or are of a narrative form that will improve the content and presentation of the accounts for the reader.

6 Legal Implications

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

Democratic Path:

- Audit and Governance Committee – 27 September 2021

Reporting Frequency: Annually

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