

Somerset West and Taunton Council

Audit and Governance Committee – 13 December 2021

Auditor's Annual Report on Somerset West and Taunton District Council 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 second stage of annual reporting by our External Auditor, Grant Thornton UK LLP, following completion of the Statement of Accounts for 2020/21. The Auditor's report, attached as Appendix 1, is comprehensive and primarily details the Auditor's findings on arrangements in place at SWTC to secure Value for Money. It reports on whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.
- 1.2 The Auditor's report includes a summary of findings and a hierarchy of recommendations to the Council which, in turn, are accompanied by the Council's management comments. The Auditor will present the report verbally at this meeting of the Committee.

2 Recommendations

- 2.1 The Committee is recommended to note the Auditor's Annual Report in respect of 2020/21 and the recommendations recorded therein.
- 2.2 The Committee is recommended to note and endorse management's proposed responses and actions in adopting the recommendations made by the Auditor.
- 2.3 The Committee is recommended to note the Auditor's confirmation of his Unqualified Opinion on the Statement of Accounts for the year ended 31 March 2021.

3 Background and Full details of the Report

- 3.1 The Local Audit and Accountability Act 2014 makes the Comptroller and Auditor General responsible for the preparation, publication, and maintenance of the Code of Audit Practice. The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act. For audits of financial years from 2020/21 onwards, a revised 2020 Code of Audit Practice applies. The new Code makes changes to the way local auditors report on arrangements to secure Value

for Money (VFM). For this reason, the report of the Auditor on VFM is substantially more comprehensive than in earlier years. It follows considerable work by the External Audit team involving research, high-level interviews and evidence gathering to support the Council's position in respect of:

- Ensuring financial sustainability,
- Managing governance arrangements,
- Securing economy, efficiency, and effectiveness in its use of resources.

3.2 The National Audit Office permitted auditors an extension for this piece of work because of the ongoing pandemic, which has added to the greater extent of work required to conclude this aspect of reporting. For this reason, the Annual Report on VFM can be brought to the December meeting of this Committee.

3.3 Recommendations made by the Auditor are classified into a hierarchy of levels:

- Statutory Recommendations – there are none reported
- Key Recommendations – there is one such recommendation
- Improvement Recommendations – the report contains five such recommendations.

3.4 Details of the hierarchy of recommendations are contained in Appendix C to the Auditor's report.

3.5 SWTC's Statement of Accounts for 2020/21 were considered by this Committee on 27 September 2021. The Committee Approved the 2020/21 Statement of Accounts, as reported, endorsing the Chairman of the Committee to sign the Management Letter of Representation. The Chairman and Assistant Director, Finance (s151 Officer) both signed the Statement of Accounts for 2020/21 on 30 September, achieving the deadline set by the Accounts and Audit Regulations. Two minor corrections were necessary to the accounting statements that had been presented. The first resulted from a compensating difference within the Comprehensive Income and Expenditure Statement, for which there was a net nil impact on the financial position. The second required a change to a disclosure note (Note 7a, Expenditure and Funding Analysis), again with nil impact.

3.6 Consequently, the Auditor's Annual Report confirms that, on 30 September 2021, Grant Thornton issued an "unqualified opinion" for the 2020/21 Statement of Accounts for SWTC.

4 Links to Corporate Aims / Priorities

4.1 The report supports the transparent accountability for the Council's financial sustainability, good governance, and delivery of value for money with public funds.

5 Finance / Resource Implications

5.1 There are no direct resource implications related to this report. However, Members should note the external auditor's opinion and recommendations, together with management response, in respect of commercial strategy and the Prudential Code.

- 5.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) and central Government continue to update the regulatory environment related to local government investment and borrowing activity. Updates to CIPFA's Prudential Code and Treasury Management Code are expected to be published late December. The anticipated changes and salient points from the new Codes (based on drafts previously issued for consultation) are explained in some depth in the Mid-Year Treasury Management Report to this Committee on the same agenda (13 December 2021).
- 5.3 The Commercial Property Investment Strategy (CPIS) has currently one of the key elements of the Council's financial strategy since the CPIS was approved at Full Council in December 2019. The Committee is advised to note the management response as set out within the external auditor's report which summarises the key purpose of this approach and the various measures in place to manage risk.
- 5.4 The Committee is also advised that an update report will be presented to Members in January 2022 providing the annual update on the CPIS and the 6-monthly performance review of the investment fund. In the meantime, a Members Briefing is scheduled on 14 December 2021 to provide early engagement regarding these reports.

6 Legal Implications

- 6.1 The Council has a statutory duty to report on the Auditor's findings in relation to securing economy, efficiency, and effectiveness in its use of resources.

Democratic Path:

- Audit and Governance Committee – 13 December 2021

Reporting Frequency: Annually

List of Appendices

Appendix 1	SWT Auditor's Annual Report
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