

Full Council 29 March 2022

Audit and Governance Committee Chair's Annual Report 2021/22

Report Author: Cllr Lee Baker, Chair of the Audit and Governance Committee

1. Introduction

To provide Members of the Council with details of the work carried out by the Audit and Governance Committee (AGC) during the year ended 31 March 2022. The report also details how the AGC has fulfilled its terms of reference during this period.

This year, following a review and report from the Council Governance Arrangements Working Group it was resolved by Full Council at its Annual Council meeting on 4 May 2021 that the Audit Governance and Standards Committee be split into two separate committees. The two committees subsequently formed were the Audit and Governance Committee and the Standards Committee. The last meeting of the Audit Governance and Standards Committee was held on 12 April 2021. The first meeting of the Audit and Governance Committee, at which I was elected as Chair of the committee having previously been Chair of the Audit Governance and Standards, was held on 14 June 2021.

2. Background

The AGC 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 a robust Corporate Governance framework 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 AGC's operate effectively. The AGC has adopted the procedures set out in this guidance as best practice. The guidance also recommends that the AGC's report annually on how they have discharged their duties.

3. Work Undertaken and Findings

The AGC have met on five occasions in the year between April 2021 and the date of this report (2 March 2022) and is due to meet twice more before the end of the financial year, on 14 March 2022 and 22 March 2022. The Audit

Governance and Standards Committee, before it was dissolved, met once in the same period. The final meeting of the Audit Governance and Standards Committee was conducted virtually via 'Zoom', which is far from easy and never my preferred option. All five meetings of the AGC this year have been face to face meetings, which I enjoy more. There are currently five more scheduled AGC meetings for the remainder of the calendar year 2022, in March, June, September and December 2022. Looking forward, it is sad to note that the coming year will be the last year that the SWT Audit and Governance Committee will sit before handing over to the Audit and Governance function of the new Unitary Somerset Council.

It has, overall, been a busy and informative year from both a financial and a governance perspective. During this period, the AGC has assessed the adequacy and effectiveness of the Council's risk management controls and monitoring arrangements, together with the associated counter fraud systems. The AGC has reviewed various governance items including the Council's Local Code of Corporate Governance, Risk and Opportunity Management Strategy, 2020-21 Annual Governance Statement and proposed changes to the Council's constitution. We have begun to regularly receive updates on health and safety as well as reviewed Landlord Compliance, as a result of concerns raised by Internal Audit reports. In addition, the committee has monitored that audit recommendations are being actioned by officers, with regular progress reports coming before the AGC. Covid has continued to impact the Council, the auditors and the work of the committee, however, I hope that going forward into next year the impact of the pandemic on our work will lessen.

In September the AGC reviewed and approved the 2020-21 Annual Governance Statement and Statement of Accounts for SWT which were compiled and approved before the required deadline, one of only 9% of councils to have made this deadline which is a feat we can all be very proud of. Both internal auditors (SWAP), and Grant Thornton External Auditors along with I as Chair and the rest of the AGC, have all thoroughly discussed the audit process and all parties are very pleased with progress, despite the obstacles of COVID. A great deal of scrutiny and challenge was put into these topics by the committee, but I am overall very pleased with the resulting outcome. 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 moving to unitary with no major High-Risk issues to be highlighted at this stage.

I want to thank all the excellent members of the Audit and Governance Committee for their support throughout a challenging year, particularly the Vice-Chair Ed Firmin. I want to thank Paul Fitzgerald, John Dyson and all the finance team. I also want to thank our external auditors Grant Thornton and our internal auditors SWAP, special thanks to Jackson Murray of Grant Thornton and Alastair Woodland of SWAP for joining us at our meetings. I would like to thank the Governance Team for their continued support and our new clerk Jess Kemmish who has kept me in tow (and believe me that's not easy!) and I very much look forward to working with the team next year.

4. Financial Statements

The 2020-21 Annual Governance Statement and Statement of Accounts for the Authority were, as I have mentioned above, produced on time. The Council's Statement of Accounts received an Auditor's unqualified opinion and in a new Auditor's Annual Report we have received assurance over value for money arrangements with only one key recommendation related to borrowing risk. The management response provided an extensive overview of our risk management arrangements in this regard, but we will keep the action plan under review.

5. External Audit

During 2021, Grant Thornton's audit plan updates were received regularly throughout the year, including:

- Audit Plan for 2020/21 Accounts
- Progress reports and Sector Updates
- Risk Assessment 2020/21 - ISA240 Inquiries of Management
- Audit Findings Report 2020/21
- Assessment of Going Concern for 2020/21 Accounts
- External Auditors Annual Report 2020/21

The 2022/23 external audit plan is scheduled to be considered by the Committee in March 2022.

6. Internal Audit

This function is provided by SWAP. It appears to be very effective. During the year, the AGC has received and considered various items highlighted by SWAP, together with SWAP's schedule of work to be performed over the financial year, including:

- SWAP Internal Audit – Outturn Report 2020/21
- SWAP Internal Audit – Annual Opinion Report 2020/21
- Internal Audit Plan progress updates (quarterly)
- Baseline Assessment of Maturity in relation to Fraud

I have not listed or catalogued all outstanding risk issues that are under discussions at the AGC, however, members can access the relevant information in the appropriate AGC minutes and agendas in Mod.Gov and either I, the AGC, 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 SWTs governance process and audit procedures are generally fit for purpose going forward.

7. Summary

This year has still posed many challenges for the Audit and Governance Committee however, now that we have moved past the Transformation Period and the pandemic is having less of an impact on everyday life, I feel the

business of the committee has settled into a good rhythm. I hope that this will continue into next year so that we may leave the dealings of the committee in good stead for the new unitary authority.

I am satisfied that SWT's Governance and Audit processes continue to remain good and fit for purpose and am reassured that this opinion is shared by the Internal and External Audit functions.

In my second year as Chair of the Committee I hope I have managed to interject some humour to the proceedings whilst we effectively conducted the business of the committee.

Councillor Lee Baker
Chair, Audit and Governance Committee