

Somerset West and Taunton Council

Audit and Governance Committee – 12 December 2022

Auditor's Interim Annual Report on Somerset West and Taunton District Council 2021/22

This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen

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. It follows their presentation of the Audit Findings Report for the Statement of Accounts 2021/22 to the meeting of this Committee on 7 November.
- 1.2 The Auditor's report, attached as Appendix 1, is presented as an interim report, pending the auditor issuing the final opinion on the Statement of Accounts for 2021/22. It primarily focusses on the Auditor's findings on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. It recognises the transition towards the new unitary Somerset Council.
- 1.3 The Auditor's report includes a summary of findings and highlights five improvement 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 2021/22 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.

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 latest (2020) Code of Audit Practice sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act. It introduced changes to the way local auditors report on arrangements to secure Value for Money (VFM), requiring the report of the Auditor to be substantially more

comprehensive. The report, in turn, 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 Annual Auditor's Report is required to be issued within three months of the audit opinion for the Statement of Accounts 2021/22. The opinion awaits final approval of the accounts which, in turn, will follow the resolution of a technical issue that is affecting local authorities nationally. When the accounts have been signed off, the Annual Auditor's Report will be issued alongside the audit opinion. Meanwhile, the National Audit Office has once again permitted auditors an extension for this piece of work to reflect the reduced staffing capacity of the audit sector and the longer-term impact of the pandemic. For this reason, the Interim 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 are none reported
- Improvement Recommendations – the report contains five such recommendations.

3.4 Details of the hierarchy of recommendations are contained on page 5 of the Auditor's report.

4 Links to Corporate Aims / Priorities

4.1 The audit reviewed in closer detail the governance arrangements in place to support Somerset's local government reorganisation. Details are contained within the Auditor's report, including two recommendations relating to governance.

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 recommendation relating to financial sustainability, together with management response.

5.2 The Commercial Property Investment Strategy (CPIS) has currently one of the key elements of this Council's financial strategy since the CPIS was approved at Full Council in December 2019. The Auditor's report continues to consider Commercial property investment and recognises that the cumulative portfolio stemming from the merging Somerset councils represents a key budgetary risk for the new unitary council.

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 – 12 December 2022

Reporting Frequency: Annually

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