

Somerset West and Taunton Council

Audit and Governance Committee 13 March 2023

Audit and Governance Committee Chair's Annual Report for 2022/2023

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 2023. The report also details how the AGC has fulfilled its Terms of Reference during this period.

Last 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. This report relates to the work of the Audit and Governance Committee only throughout the period 2022/2023.

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 1 April 2022 and the date of this report (7 February 2023) and is due to meet again for a final time on 13 March 2023 prior to the ultimate vesting to Somerset Council from 1 April 2023. All meetings of the AGC this year have been face to face meetings, which I enjoy more and I'm sure all members prefer rather than the virtual meetings that were in place throughout COVID.

Looking forward, as mentioned above, this 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, the 2021/2022 and 2022/2023 Annual Governance Statements and proposed changes to the Council's constitution.

We have regularly received 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. It is good to see that, at last Covid has started to reduce the impact on various aspects of the Council, the auditors and the work of the committee.

In November 2022 the AGC reviewed and approved the audited 2021/2022 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 external auditors (Grant Thornton) 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. 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 Janet Lloyd who has had to deputise for me on occasions where my work commitments have trumped Committee meetings. 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 newly appointed and extremely experienced and knowledgeable clerk Amy Tregellas who replaced Jess Kemmish throughout the year and has kept me in tow (and believe me that's not easy!) We were very fortunate as a committee to have secured the services of Amy when Jess moved onto pastures new.

4. Financial Statements

The 2021/2022 Annual Governance Statement and Statement of Accounts for the Authority were, as I have mentioned above, produced on time. However, the national issue relating to the statutory override for infrastructure assets caused a slight delay in signing the Council's Statement of Accounts. The AGC gave me delegated powers to sign the Statement of Accounts, which was completed on 1 March 2023. The 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. 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 2022/2023, Grant Thornton's audit plan updates were received regularly throughout the year, including:

- Audit Plan for 2021/2022 Accounts
- Progress reports and Sector Updates
- Risk Assessment 2021/2022 - ISA240 Inquiries of Management
- Audit Findings Report 2021/2022
- Assessment of Going Concern for 2021/2022 Accounts
- External Auditors Annual Report 2021/2022

The 2022/2023 external audit plan was also 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 for 2021/2022 and 2022/2023
- SWAP Internal Audit – Annual Opinion Report for 2021/22 and 2022/2023
- 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 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 third and final year, due to Vesting to the new Somerset Council, 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

7 February 2023