

## SWT Audit, Governance and Standards Committee - 31 July 2019

Present: Councillor Sue Buller (Chair)

Councillors Lee Baker, Simon Coles, Dixie Darch, Hugh Davies, John Hassall (In place of Sarah Wakefield), Janet Lloyd, Steven Pugsley, Vivienne Stock-Williams and Mrs Anne Elder

Officers: Emily Collacott, Geri Daly, Paul Fitzgerald, Richard Holwill, Simon Lewis, Kate Lusty, Steve Plenty, Derek Quick, Clare Rendell and Amy Tregellas

(The meeting commenced at 1.00 pm)

### 16. Apologies

Apologies were received from Councillors C Ellis, T Venner, S Wakefield and Mr B Wilson and Mrs S de Renzy-Martin.

### 17. Minutes of the previous meeting of the Audit, Governance and Standards Committee

(Minutes of the meeting of the Audit, Governance and Standards Committee held on 26 June 2019 circulated with the agenda)

**Resolved** that the minutes of the Audit, Governance and Standards Committee held on 26 June 2019 be confirmed as a correct record.

### 18. Declarations of Interest

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

Name	Minute No.	Description of Interest	Reason	Action Taken
Cllr L Baker	All Items	Cheddon Fitzpaine & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr S Coles	All Items	SCC & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr H Davies	All Items	SCC	Personal	Spoke and Voted
Cllr J Lloyd	All Items	Wellington & Sampford Arundel	Personal	Spoke and Voted
Cllr V Stock-Williams	All Items	Wellington	Personal	Spoke and Voted

Councillor L Baker further declared an interest as an employee of Lloyds Banking Group.

19. **Public Participation**

No members of the public had requested to speak on any item on the agenda.

20. **Audit, Governance and Standards Committee Action Plan**

(Copy of the Audit, Governance and Standards Committee Action Plan, circulated with the agenda).

**Resolved** that the Audit, Governance and Standards Committee Action Plan be noted.

21. **Audit, Governance and Standards Committee Forward Plan**

(Copy of the Audit, Governance and Standards Committee Forward Plan, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance Team.

**Resolved** that the Audit, Governance and Standards Committee Forward Plan be noted.

22. **Fire Risk Assessment**

During the discussion, the following points were raised:-

- Councillors queried when the extra posts would be filled to assist with the fire risk assessments.  
*Officers advised that they had been working with an officer who came highly recommended and had previously carried out surveys for the Council via their work with Savills. The other extra posts would be advertised and recruited hopefully by October 2019.*
- Concern was raised that there the posts had not been filled yet.  
*The Property Compliance Specialist confirmed that the extra posts were a result of the recent Government papers that were written due to the Grenfell Tragedy and so therefore, they had only been given the go ahead to recruit extra posts in June 2019. Officers gave reassurance that assessments were being carried out and actions were being enforced.*
- Councillors queried where the funding had come from for the extra posts.  
*A written answer would be distributed.*
- Councillors queried whether the fire risk assessments only related to the housing stock in the Taunton area of the district or whether it related to all Council owned buildings across the whole of the district area.  
*The assessments were for all the Council owned properties in the whole of the district.*

- Concern was raised that due to the restructure there could be areas where the work might not have been carried out and Councillors queried whether the money had been ring-fenced for the works.  
*Officers confirmed that the money had been set as part of the works programme.*
- Councillors highlighted that the Council was still waiting for advice on what type of doors to install as a result of the papers distributed after the Grenfell Tragedy.  
*Officers confirmed that was correct but it was only the communal buildings that we were waiting for new doors and not houses.*
- Concern was raised on the large case load placed on officers and Councillors wanted reassurance that those officers would be able to pick up the 'slack' until the new posts were filled.  
*The Head of Customer had every confidence that the work was being completed. In the new structure, it was the Locality Champions that were carrying out the work but they had asked if some of the Housing and Asset Case Managers could assist with the work load.*
- Councillors queried whether the Council enforced fire risk assessments on properties owned by Housing Associations.  
*Officers worked closely with the Housing Associations but that they were responsible for their own checks.*
- Concern was raised that there wasn't a works schedule in place yet and Councillors queried how long it would be before that was in place.  
*Officers were developing the works schedule and it should be in place by November 2019.*
- Councillors suggested that the Fire Service could assist with some of the assessments on properties where vulnerable tenants were located.  
*Officers had discussed options and worked closely with the Fire Service, who were happy to assist with prohibition notices.*
- Concern was raised that the works appeared to still be too far in the future and that the assessments were due to expire in August 2019.  
*Officers confirmed that the fire risk assessments were valid for three years but that the Council opted to carry out checks on an annual basis. The programme of works were due to start on 2 August 2019 and once the new posts were recruited, they would shadow officers before taking on the work.*
- Councillors queried the location of the commercial property mentioned in the report.  
*The property was Auction House which was detailed within the report. Clarification was given.*
- Councillors thanked officers for their hard work and requested an update be brought back to the Committee in December 2019.

**Resolved** that the Audit, Governance and Standards Committee noted the report.

## 23. Annual Governance Statement 2018-19

**Resolved** that the Audit, Governance and Standards Committee noted the Annual Governance Statements for 2018-19.

#### 24. **Assessment of Going Concern Status**

During the discussion, the following points were raised:-

- Concern was raised on the £7,000,000 spent in the last financial year and whether that would impact on the Council's financial resilience.  
*Officers confirmed that planned use of reserves occurred last year to deliver agreed projects such as transformation and accommodation improvements. It was also confirmed the Council held reserve balances above the recommended minimum, which provided ongoing resilience, and that the 2019-20 budget was balanced without using general reserves. There were ongoing financial risks but budgets and the general balances were carefully monitored and reported through the budget monitoring process.*
- Concern was raised on the transformation overspend and what provision had been made for that.  
*Officers confirmed that provisions had been made by both Councils for staff changes and redundancy costs.*
- Councillors queried whether any provision had been made for additional costs as transformation had not yet finished and there were concerns for next year's accounts.  
*Officers advised that other than what had been previously approved and through budget setting, no other specific provisions had been set aside. However, the Council held general reserves to mitigate risk of further unplanned spend.*
- Councillors requested information on the Housing Revenue Account (HRA) and what it was being spent on.  
*Officers advised that the HRA was a self-financing account, which collected money from tenants and reinvested it in related services. It was a ring-fenced account which did not make any profit. Clarification was given on the general funds as well.*

**Resolved** that the Audit, Governance and Standards Committee noted the assessment made of the Councils' status as a 'going concern' as a basis for preparing their 2018-19 Statement of Accounts.

#### 25. **Grant Thornton External Audit - West Somerset Council Audit Findings Report 2018-19**

During the discussion, the following points were raised:-

- The External Auditor advised the Committee that a material error had been found which identified that a piece of land had been categorised incorrectly. She confirmed that adjustments had been made as a prior year adjustment for 2017-18 and reported in the 2018-19 accounts to correct the values used. The Section 151 Officer clarified that officers had made the adjustments.

- Concern was raised on the error and that it had not been picked up in the previous year's audit.  
*The External Auditor confirmed that they only carried out sample testing and could not audit everything, so it was picked up in this year's sample.*
- Councillors queried the Council's bad debt provision calculation as this was highlighted as a risk in the audit findings report. They further queried how it would be looked at going forward and whether debts would be written off.  
*The Auditor advised that the checks were not purely on validity but it was on the process and methodology, and for management to decide.*
- Councillors queried whether there was a penalty for being late with the account audit.  
*Officers confirmed there wasn't a penalty.*
- Councillors queried the methodology used on the audit and they were concerned that large transactions were not all checked.  
*The External Auditor confirmed that the correct methodology was followed and that a larger sample had been used this year but the samples were picked at random. She gave assurance that she would not give an unqualified opinion if she wasn't confident in the outcome.*

**Resolved** that the Audit, Governance and Standards Committee noted:

- a) The report from our External Auditor on West Somerset Council's Statement of Accounts for 2018-19; and
- b) The Auditor's unqualified value for money conclusion.

## 26. **Approval of West Somerset Council Statement of Accounts 2018-19**

During the discussion, the following points were raised:-

- The Section 151 Officer suggested that approval of the accounts was given subject to the review of the final asset classification adjustment being completed by the Auditors.
- The External Auditor was confident that even though the material error had been identified, it was a balance sheet valuation adjustment that didn't affect revenue or capital usable reserves of the Council. However, entries still needed to be reviewed but she was confident that because the rest of the audit had been completed, the opinion would not change.
- Councillors were not comfortable to approve the accounts without the audit opinion.  
*The Section 151 Officer gave reassurance to the Committee and the External Auditor advised Councillors that when a Council published their accounts without an audit opinion, they had to publish the reason why.*
- The following changes were highlighted to the Committee:
  - 1) Page 7, there had been some changes to the figures for the outturn and variance to be consistent with one of the notes in the accounts, however that had not changed the overall figures for the net budget funding and surplus/deficit for the year.
  - 2) Page 18, some of the figures had increased as a result of the material error found, however the overall net asset remained the same.

- 3) Page 23, the name for the pension fund was amended to Somerset County Council.
  - 4) Page 34, the date used for when the Councils' had demised was amended to 1 April 2019.
  - 5) Pages 46, 47 and 50, the amounts were amended to reflect the adjusted classification of land due to the material error.
  - 6) Page 51, the significant unobservable input had been amended to level two.
  - 7) Pages 53, 55, 57, 66, 67, 69 and 73, figures had been amended to reflect the correction on the error.
- Councillors queried the wording used on page 51 for the significant unobservable input and that the term 'residential' should be removed. *Officers confirmed that the wording used was from guidance used by the Chartered Institute of Public Finance Accountants, but that they would remove the word residential.*
  - Councillors thanked the officers for their hard work.

**Recommended** that the Audit, Governance and Standards Committee:-

- a) Noted the Auditor's unqualified opinion on the Statement of Accounts;
- b) Approved the Statement of Accounts in principle and delegated authority to the Chair of the Committee to sign the accounts once the audit work was completed; and
- c) Endorsed the Chair of the Committee to sign the management letter of representation in respect of the financial statements for the year ended 31 March 2019.

27. **Grant Thornton External Audit - Taunton Deane Borough Council Audit Findings Report 2018-19**

During the discussion, the following points were raised:-

- The External Auditor advised the Committee that they had received an objection on the Taunton Deane Borough Council's (TDBC) Statement of Accounts, which meant additional audit work needed to be completed.
- Councillors queried what area of the accounts the objection was on. *The External Auditor gave her opinion that the audit work should be completed first and then they would feed back on the objection as she did not want the outcome to prejudice their work.*
- The Chair moved and the Committee approved to go into confidential session, where the External Auditor gave information on the subject of the objection.
- The Committee moved back into open session to discuss the remainder of the report.
- The Section 151 Officer gave further information on the delays to the Statement of Accounts.
- The Chair thanked the officers for their hard work.

**Resolved** that the Audit, Governance and Standards Committee noted:-

- a) The progress and matters in the Audit Findings Report from the Auditor on TDBC's Financial Statement of Accounts; and

b) The Auditor's unqualified value for money conclusion.

28. **Approval of Taunton Deane Borough Council Statement of Accounts 2018-19**

**Resolved** that the Audit, Governance and Standards Committee:-

- a) Noted the progress of the Audit and that the Audit Opinion was not anticipated to be issued by 31 July 2019;
- b) Considered and noted the Draft Statement of Accounts 2018-19 for information; and
- c) Noted the final audited Statement of Accounts would be presented to the Committee for approval as soon as reasonably practical following the receipt of the final Audit Findings Report included in the Auditor's Opinion.

(The Meeting ended at 4.05 pm)