

South Somerset District Council

Minutes of a meeting of the **Audit Committee** held in the **Virtual Meeting using Zoom meeting software on Thursday 26 May 2022.**

(10.00 am - 12.00 pm)

Present:

Members:

Robin Bastable
Dave Bulmer
Brian Hamilton
Mike Hewitson

Tim Kerley
Colin Winder
Val Keitch (sub)
Derek Yeomans (IM)



Officers

Jane Portman	Chief Executive
Karen Watling	Chief Finance Officer (S151 Officer)
Jill Byron	Monitoring Officer
Jan Gamon	Director (Place and Recovery)
Nicola Hix	Director (Support Services & Strategy)
Peter Paddon	Acting Director (Place and Recovery)
Paul Matravers	Lead Specialist (Finance)
Brendan Downes	Lead Specialist Procurement, Performance and Change
Jessica Power	Lead Specialist (Strategic Planning)
Natalie Fortt	Regeneration Programme Manager
Alastair Woodland	Assistant Director, SWAP
Angela Cox	Specialist (Democratic Services)
Michelle Mainwaring	Case Officer (Strategy & Support Services)

Also Present:

Barrie Morris	Key Audit Partner (Grant Thornton)
Beth Garner	Manager (Grant Thornton)

1. Minutes (Agenda Item 1)

Councillor Robin Bastable highlighted a missing question from item 64 of the March 2022 minutes.

There was a short discussion between members and officers about identifying and verifying the invoices and the Lead Specialist Finance agreed to provide the number of invoices and their values from April 2020 onwards.

The Chief Finance Officer confirmed they would wait to see what the scale of the issues were before looking to how they could be verified.

It was resolved to approve the minutes of the March 2022 meeting as a correct record with the following amendment.

Item 64: A question relating to the number of invoices authorised by certain officers would be provided at the next meeting.

2. Apologies for absence (Agenda Item 2)

Apologies for absence were received from Councillors Mike Best, Martin Carnell, Tony Lock and Paul Maxwell. Councillor Val Keitch was in attendance as a substitute.

3. Declarations of Interest (Agenda Item 3)

There were no declarations of interest made by Members.

4. Public question time (Agenda Item 4)

A member of the public addressed Audit Committee raising strong concerns following the report made by the external auditors to the March meeting of the Audit Committee. Some of his comments included:

- The difficulties that SSDC accounts team have faced have been the same difficulties for all Somerset councils.
- The finance team continued to miss the agreed deadlines.
- It appeared that the finance team did not know how to consolidate group accounts. This seemed to be a repeating issue from previous years.
- Why was it necessary for the auditor to go over the head of the CFO to have the issue of officer professional conduct resolved by the CEO?
- Accounts for Somerset County and Somerset West and Taunton had both had their accounts signed off.
- Felt that the issues that have been faced are self-inflicted.

The Chairman thanked the member of public for his questions and explained that a full written response will be provided to him and circulated to the whole of the Audit Committee.

5. Date of next meeting (Agenda Item 5)

Members noted that the next meeting of Audit Committee was scheduled for Thursday 30th June 2022 at 10.00am.

6. Progress Report on audit of 2020/21 Statement of Accounts (Agenda Item 6)

The Chairman read out a short statement from Councillor Carnell in relation to the report received from the external auditor in March 2022. The statement updated members on a meeting that the Chair and Vice Chair had attended with Grant Thornton to understand the matters raised in the March meeting. During the meeting an apology from the Key Audit Partner of Grant Thornton was received for not being made aware that Grant Thornton had concerns over the conduct of officers in relation to the audit and that this was only brought to the Chair and Vice Chairs attention during the March committee meeting. After this meeting the Chair and Vice Chair then met with the CEO, CFO and Monitoring Officer to discuss the outcomes of that meeting and agree any actions. He asked that the Monitoring Officer look at any points raised from the meeting that day

regarding the concerns the member of public raised in the Scrutiny Committee meeting on the 10th May and report back to the Audit Committee with any recommendations.

The Chairman informed members that the Chairman of the Scrutiny Committee was in attendance for Audit members to understand Scrutiny's concerns and also how Audit and Scrutiny could best work together.

The Key Audit Partner of Grant Thornton introduced the brief statement in the report and explained that the current position had changed as further information identified had been received.

He gave a brief reminder of the timescales and schedule of the audit, and highlighted specifically the delivery date of the working papers for the group accounts. The most significant area was the valuation of the Opium Battery Storage assets within the group entity. Sufficient evidence had not been received to be able to support the valuation. Management were looking to engage further support to be able to provide this information.

The Manager, Grant Thornton updated members on outstanding information that had been received since the agenda was published, including:

- Updated version of the going-concern assessment now received which factored in the group company.
- Evidence relating to additional sample of grants.
- Initial responses in relation to two recharges had been received and further discussions were scheduled later that week with management.

The Key Audit Partner explained that work on the audit was now being completed alongside other ongoing NHS audits but they were working with management to resolve the remaining issues. A number of unadjusted errors that had been identified would need discussions with management to see that appropriate amendments were made to reflect them in the accounts.

The Chairman gave some further explanation to members on the details of the battery asset valuation and why it had held up the audit of the accounts.

One member expressed his disappointment with the details of the report showing ongoing delays with the audit. He questioned what additional audit fees there may be for the council.

The Chairman highlighted to members that approximately 45% of local authority accounts were outstanding, and this was not just an SSSC issue. The PSAA (public sector audit appointments) guidance was more rigorous and auditors were being asked to justify their opinions more robustly than in the past.

In response to a query about Opium loans and repayments, the CFO confirmed that loan repayments had been received from the Taunton site, and they were about to receive repayments from the Fareham site in the current financial year. She explained that she and the Monitoring Officer both attended the board meetings for observation and received information required.

The Lead Specialist, Finance gave further details of the loan repayments. To date, loan repayments from the Taunton site were in the region of £2 million and repayments from the Fareham site were due to start in the financial year as per the loan agreement. Based on information from the company there was no reason to believe the loan payments would not be repaid and there were no concerns with regards to viability or the

company as a going concern. In the future it may be possible that the directors of the company attend an Audit Committee to provide further information to members.

In response to a query, the Key Audit Partner Grant Thornton explained that the valuation of the battery assets was based on the future cash flows that those assets generated. The income from the selling of electricity would be offset by the costs, operation and administration of those assets. The process was complex due to the demand and future price of electricity.

In response to a question related to over or undervaluing, he confirmed that the accounts must present a true and fair view of what the financial position is of the authority. Undervaluing would carry an equal risk as overvaluing.

The CFO explained that the expert optimisers and the expert valuer based their valuation on the optimisers value of future income flows. The value was a significant sum against the overall assets. A meeting had been arranged with valuers, the company and the optimiser to ensure the last element outstanding was resolved.

In response to questions from Members regarding Opium Power, the CEO agreed that a specific report on SSDC Opium power would be helpful to address Members concerns. The date of the report would be agreed in consultation with the Chairman. She also confirmed that there were no direct accusations of wrongdoing by SSDC Opium Power.

At the conclusion of discussion the Chairman thanked the auditors for their contributions.

7. 2020/21 Audit Findings: Interim Management Response (Agenda Item 7)

The CFO introduced the report and explained it was an initial response from management to the non-financial issues that were raised in the findings report from Grant Thornton at the previous meeting. A full response would go alongside the final audit findings statements from Grant Thornton.

She reassured the committee that they were in a stronger position now than last year with a fully staffed finance team, clear work timetable and an understanding of what the key issues were likely to be for the 2021/22 accounts. They would be seeking to produce draft accounts by the statutory deadline of the end of July 22.

The Key Audit Partner of Grant Thornton responded to a members query in relation to the priority order of audits for the 19/20 and 20/21 audits.

The CEO responded to member's queries and some of her points included;

- The figures of diagram one of the report that showed the amount of resource available were clarified.
- Confirmed the behavioural issues from a team member was not someone involved in issues relating to other matters and that the officer sought promotion elsewhere and resigned.
- Confirmed that staffing resource and structure was much stronger now than at the beginning of the audit process.

The Chairman invited the Scrutiny of Chair to share any concerns that had been raised by scrutiny in relation to the audit process and performance of audit committee.

Councillor Gerard Tucker shared the view that the concerns of the public speakers should be responded to and it would be helpful to do that collaboratively between Audit and Scrutiny. He felt that many of the things that need further understanding had already been raised in the meeting.

There was a short discussion between the Chairman and a member of audit in relation to some comments raised during a recent scrutiny meeting.

At the conclusion of discussion members noted the report.

8. SSDC's approach to Regeneration Programme and Project Management (Agenda Item 8)

The Director of Place and Recovery introduced the report and explained that following on from the Chard lessons learned report, she felt that it was appropriate to share the regeneration programme arrangements with Audit members and hear any thoughts about on further improvements.

The Regeneration Programme Manager highlighted the following to members;

- Each project has a dedicated day to day project manager
- The Regeneration Programme Manager was responsible for the overall programme monitoring, such things as resources, budgeting risk management
- Each project has a sponsor – a senior responsible officer at director level
- The projects were governed by project boards and overseen by the SDB (Strategic Development Board)
- They have adopted a staged approach whereby the business case is reviewed at each stage to ensure they remain within agreed tolerance levels, namely cost, time, scope and quality.

She gave two further updates since the report was written. The Chard Project Manager had been appointed, and SWAP (South West Audit Partnership) will be represented on the Octagon project board due to the high level nature of the project.

The Director of Place and Recovery and the Regeneration Programme Manager responded to members questions and some of their responses included;

- The Chard project did not exceed the total cost tolerances that was allocated to the Chard Regeneration overall, but the delivery of the leisure centre had claimed a greater proportion than first envisaged.
- None of the project managers were full time on the projects therefore external project management would be commissioned alongside issuing a contract for construction.
- Our project managers are on site frequently and are close to what is happening on the ground
- The contract for the Wincanton Regeneration Project will be considered under the section 24 agreement as part of the new administration. SSDC is, in partnership with Mendip DC, developing a Levelling Up Fund 2 Bid for Wincanton to further enhance the town centre.
- Confirmed that consultants that were hired had professional indemnity insurance

One member confirmed that the project manager for Chard had been frequently seen on site and that the whole community appreciated the completed leisure centre.

One member expressed concerns with how the Chard project had been managed and felt that there had been missed opportunity on developing the Boden Mill building. He asked if ground contamination was a factor.

The Director of Place and Recovery responded to the query and explained that what happened in Chard was not down to contaminated land. The overall cost of delivering the Leisure Centre was delivered within an approved budget but insufficient attention was paid to the fact that the budget was also intended to deliver other things. There was insufficiently robust governance around decision making. Lessons had been learnt with regards to tolerances for costs, time for delivery, scope and quality.

There were no further comments and the Chairman thanked officers for their update.

9. Risk Management Update Q4 2021/22 (Agenda Item 9)

The Lead Specialist for Procurement, Performance and Change (PPC) introduced the report that gave members an update on risk management. He highlighted the following;

- The risk register had been moved to a SharePoint and Power BI platform which allowed the tracking and monitoring of all risks across the organisation, prompted reviews and enabled real time reporting
- The strategic and corporate risks were reset during a workshop with Zurich risk management and work concluded in March 22.
- All the capital project risk registers were in place and actively managed. These would be reported along with the corporate risk registers to the Senior Leadership Team on a monthly basis.
- Opium power was covered in strategic risk FIN06

In response to a question relating to risk FIN06, the Lead Specialist PPC confirmed that the tenant management related to the property portfolio.

He further clarified the details shown in the report explaining the cause and effect columns and explained that what was not shown was the controls that are in place to reduce the overall risk score.

The CEO explained that the controls and mitigations that were in place could be provided to members if they wanted to have any further clarity.

There were no further questions and members noted the report.

10. Annual Health & Safety Update 2021 (Agenda Item 10)

The Lead Specialist, Strategic Planning presented the report and updated members that since the last annual update the Health and Safety Policy had been approved at Full Council.

There had been work on a communication plan that was identified as needing improvement. Health and Safety training had been successfully rolled out to all staff where uptake had been very good. Members had also been enrolled onto the same course for completion.

In response to a query regarding follow up of injuries and accidents, the Lead Specialist Strategic Planning explained that improvements had been made to monitor health and safety accidents and a new system was in place that helped to track incidents, record

actions and ensure that these actions were followed up. This was reported back to the Health and Safety Steering Group and to the Senior Leadership Team.

There were no further questions and members noted the report.

11. Annual Civil Contingencies Update 2021/22 (Agenda Item 11)

The Lead Specialist, Strategic Planning presented the report that gave an update on Civil Contingencies for the last year and reassured members that duty officers that cover any civil emergencies or incidents that occur were still in place and this coverage was 24/7. Incidents that had been responded to had been largely flooding incidents. A section 19 report was being completed by the Local Lead Flood Authority (Somerset County Council) and a draft would be available for consultation going to Area West Committee next month.

There had been virtual internal training for duty officers and rest centre volunteers working with civil contingencies unit at Somerset County Council with one in-person rest centre training event that took place at Odcombe Village Hall. More face to face training events were being organised.

The Chairman thanked the team that have responded to storm and flooding issues especially in Chard.

Councillor Dave Bulmer explained that an area of resilience group had now been set up in Chard to help the wider community and asked if they could have the contacts details for team members in SSDC should there be a need for any future support.

In response to a query about communication outage emergencies the Lead Specialist Strategic Planning informed members that there was an online exercise in regards to a national power outage happening the next day to support in how best to manage such a situation.

There were no further questions and members noted the report.

12. Internal Audit Outturn Report 2021-22 (Agenda Item 12)

The Assistant Director SWAP presented the report that summarised and updated members on the outturn for the 2021/22 audit plan.

He highlighted the key points in the document, some of which included;

- Reviews that had been completed since the last update
- There was one limited assurance but it did not amount to a high significant corporate risk
- Plan changes in ICT workstream
- Time spent on the Audit committee Terms of Reference work had been added in
- Unitary lessons learned review was being drafted
- Opium arrangements review was ongoing and the scope of work should pick up most of the points that were raised in the meeting.

In response to questions raised by a member the Assistant Director (SWAP) explained the following;

- The action details relating to the crematorium weren't to hand but it had been a priority 3 recommendation
- The Income Generation follow up had been removed because of the Somerset Unitary.

There were no further questions and members noted the report.

13. Improving Environmental Services and Corporate Governance - achievements to date and planned further action (Agenda Item 13)

The Chief Executive introduced the report that followed on from the independent reports that were undertaken following the whistleblowing letter received in April 2021. She gave a brief outline reminding members of the events that had led up to the report being written and explained that the report updated members on the actions taken to address the nine recommendations that had been made by the independent investigator. This was shown in Appendix A of the agenda report.

A separate report completed by SWAP into matters in Environment Services at the Lufton depot was presented to the Director of Strategy and Support Services in September 2021. Appendix B in the agenda report showed the recommendations from the SWAP report along with actions already taken and progress made to date.

She stressed to members that all recommendations had been taken seriously and the weaknesses identified were determined to be addressed.

She expressed that there would not be any details relating to individuals discussed in the meeting due to a risk of data protection breach and a potential to expose the council to claims from any individuals.

In response to a query regarding procurement procedures, The Director Strategy and Support Services explained that she was not sure that all procurement rules had been followed previously by senior management at the depot and that steps had been taken to rectify this and make sure that this could not happen again.

There were no further questions and the Chairman thanked the Chief Executive and the Director Strategy and Support Services for the report and that it gave assurances to the committee that actions were being taken.

Members confirmed they would like to have further progress updates and at the conclusion of discussion they were content to note the report.

14. Audit Committee Forward Plan (Agenda Item 14)

Members were content to note the Forward Plan.

.....
Chairman