

Audit and
Governance
Committee

Elaine Speed

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22 September 2023

To All Members of the Audit and
Governance Committee,
Internal and External Circulation and
Press.

Dear Councillor,

**Re: Audit and Governance Committee Agenda - Wednesday, 27th
September, 2023**

Further to the compilation of the above Audit and Governance Committee
Agenda, please find enclosed the following reports which were detailed to follow
on your Agenda:

Agenda Item 3. Minutes: (Pages 1 - 14)

To confirm the Open Minutes of the Meeting held on 5 July
2023.

Agenda Item 4. Action Sheet: (Pages 15 - 18)

Actions from the last Meeting.

Agenda Item 10. Internal Audit Report - Lessons learnt concerning the
creation of and early operation of Invest East Lindsey:
(Pages 19 - 28) – **Appendix B attached.**

Please accept my apologies for any inconvenience caused.

Yours sincerely,

Elaine

Senior Democratic Services Officer
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Minutes of a Meeting of the Audit and Governance Committee held in the Hub, Mareham Road, Horncastle, Lincolnshire LN9 6PH on Wednesday, 5th July, 2023 at 1.00 pm.

PRESENT

Councillors Stef Bristow, Danny Brookes, Will Grover, Rosalind Jackson, Sam Kemp, Thomas Kemp, Jill Makinson-Sanders, Edward Mossop and Alex Hall.

Councillor Alex Hall attended the Meeting as a Substitute.

Councillor James Knowles attend the Meeting as an Observer.

OFFICERS IN ATTENDANCE:

Christine Marshall	- Deputy Chief Executive (Corporate Development) and S151 Officer
John Medler	- Assistant Director Governance & Monitoring Officer
Samantha Knowles	- Chief Finance Officer, PSPS Limited
Matthew Waller	- Internal Audit Manager, Assurance Lincolnshire
David Postle	- Wellbeing Service Manager
Suzanne Rolfe	- Insights & Transformation Manager
Ann Good	- Democratic Services Manager
Lynda Eastwood	- Democratic Services Officer

3. APOLOGIES FOR ABSENCE:

No Apologies for absence were received.

It was noted that in accordance with Regulation 13 of the Local Government (Committees and Political Groups) Regulations 1990, notice had been given that Councillor Alex Hall had been appointed to the Committee in place of Councillor James Knowles for this Meeting only.

4. ELECTION OF CHAIRMAN:

It was proposed and seconded that Councillor Will Grover be elected Chairman.

It was further proposed and seconded that Councillor Ros Jackson be elected Chairman.

Upon being put to the vote, the result was as follows:

In favour of Councillor Will Grover being elected to Chairman – 4 votes.

In favour of Councillor Ros Jackson being elected to Chairman – 5 votes.

RESOLVED:

That Councillor Ros Jackson be elected Chairman of the Audit and Governance Committee for the Council year 2023/24.

5. ELECTION OF VICE-CHAIRMAN:

It was proposed and seconded that Councillor Will Grover be elected Vice-Chairman.

It was further proposed and seconded that Councillor Jill Makinson-Sanders be elected Vice-Chairman.

Upon being put to the vote, the result was as follows:

In favour of Councillor Will Grover being elected to Vice-Chairman – 4 votes.

In favour of Councillor Jill Makinson-Sanders being elected to Vice-Chairman – 4 votes.

There was 1 abstention.

Chairman's casting vote was in favour of Councillor Jill Makinson-Sanders.

RESOLVED:

That Councillor Jill Makinson-Sanders be elected Vice-Chairman of the Audit and Governance Committee for the Council year 2023/24.

6. DISCLOSURE OF INTERESTS (IF ANY):

At this point in the meeting, Members were invited to declare any relevant interests.

There were no disclosures of interest received.

7. MINUTES:

The Minutes of the Meeting held on 15 March 2023 and the Minutes of the Special Meeting held on 24 May 2023 at the rising of the AGM were agreed as a correct record.

8. CHAIRMAN'S UPDATE:

The Chairman welcomed all Members.

9. ACTION SHEET

Members were referred to the Action Sheet, pages 17 to 26 of the Agenda refer.

Members noted that the actions from previous meetings were confirmed as completed or in hand as follows:

A Member commented that there used to be training sessions before Audit and Governance Committee meetings and requested that these be reconvened. The S151 Officer acknowledged Members' comments received and confirmed that a detailed programme of training was currently being put together.

10. INTERNAL AUDIT ANNUAL REPORT 2022/23:

The Internal Audit Manager, Assurance Lincolnshire presented Members with the Internal Audit Annual Report 2022/23, pages 27 to 50 of the Agenda refer. The purpose of the report was to give the annual opinion and outcome of the internal work undertaken during the year.

The purpose of the report was to meet the Head of Internal Audit annual reporting requirements as set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2020.

Further information was contained within the introduction, detailed at page 30 of the Agenda.

It was highlighted to Members that based on the work undertaken and information from other sources of assurance, that the opinion on the adequacy and effectiveness of the Council's arrangements for the following areas were:

Governance – Performing adequately
Risk – Performing well
Internal Control – Performing adequately
Financial Control – Improvement needed

The details relating to these opinions were detailed within the report, pages 32 to 40 of the Agenda refer.

Comments and questions were responded to as follows:

A Member raised a concern regarding delivery of reports by the finance team function and whether there was sufficient resource to deliver this. The S151 Officer responded that reports were late due to the expertise not being in place to turn them around quickly enough and also the implementation of a new finance system. Members were advised that plans were in place to address the problems, however the main issue was recruiting people with local government experience into the finance roles as it could take a long time to train someone from the private sector in local authority accounting. It was confirmed that there was another key person due to start with PPSPL shortly and resources were in place.

A Member queried how the Invest East Lindsey (IEL) issues were going to be addressed, following which the S151 Officer advised that there was an audit report coming to the next Committee meeting with regards to

lessons learnt concerning the creation of and early operation of Invest East Lindsey.

A Member commented that it was agreed by Overview Committee to have Invest East Lindsey (IEL) as part of its scrutiny and considered that it should be brought forward as an early topic.

A Member raised a serious concern with the current situation, in particular to Kingfisher Caravan Park (KCP) and stressed that this should take priority. The S151 Officer explained that it was for scrutiny to look at and come to its own conclusions and recommendations.

With regards to IEL, a Member queried how the Council's audit overall was affected after the external auditors had issued its qualified opinion. The S151 Officer advised that the Council's accounts would be issued with an opinion and then a set of group accounts would be created and it was these which would be affected.

A Member referred to the Limited Assurance that was issued to the Section 106 Audit, page 36 of the Agenda refers. The Internal Audit Manager advised that there would need to be a follow-up review in six months, following which Committee would be given an oversight on which actions had been implemented.

A Member referred to the Performance on Key Indicators, page 45 of the report refers and queried what percentage of recommendations had now been implemented. The Internal Audit Manager agreed to report back to the Committee with the figures.

No further comments or questions were received.

Following which, it was

RESOLVED:

That the Internal Audit Annual Report 2022/23 be noted.

11. WRITTEN POSITION STATEMENT RESPONSE TO DLUHC LETTER:

Sam Knowles, Chief Finance Officer, PSPS Limited provided Members with a verbal update.

A copy of the letter received from the Department for Levelling Up, Housing and Communities (DLUHC) was attached at pages 51 to 53 of the Agenda. The letter referred to the low number (12%) of local government bodies audited accounts for 2020/21 that had been published by the 30 November deadline.

Members were invited to put their comments and questions forward.

A Member queried whether any lessons were to be learned from this for the Council. The Chief Finance Officer, PSPS Limited advised that there were a number of matters that were out of their hands, however there was regular communication and contact in place. It was further highlighted that there were also issues regarding the resources within the Finance team, therefore deadlines had been revised and the team was now working to meet them.

A Member commented that the handover between Mazars and KPMG (the new external auditors) was quite critical as Mazars had a good working relationship with ELDC and queried what steps had been undertaken to ensure ELDC had an experienced auditor assigned to them. The S151 Officer advised that because ELDC was in a Partnership of three councils, it was allocated a more senior partner. Following a further query whether the choice of auditor was made for the Council, it was confirmed that the Public Sector Audit Appointments (PSAA) made that decision.

12. RISK MANAGEMENT REPORT:

Suzanne Rolfe, Group Manager (Insights and Transformation) presented Members with the Risk Management Report, pages 55 to 59 of the Agenda refer. A copy of the Quarter 4 Strategic Risks Register (SRR) was attached at Appendix A, pages 61 to 71 of the Agenda refer.

Members were advised that the SRR had been reviewed by the quarterly risk clinic and by Senior Leadership Team to provide the Q4 position statement. Further details were contained in Paragraphs 2 and 3 of the report, pages 57 to 58 refer.

The Group Manager (Insights and Transformation) reported that positive feedback had been received from the auditors on the risk policy. The feedback was useful with assurance around the items that were already in the policy as well as good practice suggestions for improvement. The draft Policy would be brought to the next meeting in September.

Another element that was brought to Members' attention was the Strategic Risk Register summary of changes, section 2.2 on pages 56 to 57 of the report refer. The Group Manager (Insights and Transformation) pointed out that the Q1 review of risks was underway and any emerging risks in the risk register review would be identified and included in the covering report.

Members were invited for their comments and questions.

A Member referred to CORP001(a), page 61 of the Agenda refers, and suggested that there needed to be more information as it was unclear with regards to what the risk was about.

A Member further queried how the Council would balance the budget if there was a reduction in future funding and whether there was a plan in

place going forward. The Group Manager (Insights and Transformation) advised that the comments would be picked up.

A Member referred to CORP002, page 62 of the Agenda refers and queried the matrix score on page 70 of the Agenda, pointing out that with a score of 10, the scoring should be Amber. The Group Manager (Insights and Transformation) advised that this may be incorrect and would look in to it.

A Member commented that when looking at the risk register they expected to see target risks and future actions, along with risk appetite per category. The Member also suggested that with regards to Risk No. 1 and 2, it would be better to merge these into one.

There were further queries that related to CORP012 'Technology Infrastructure failure', pages 67 of the Agenda refers as follows:

A query was raised with regards to Risk No. 14 'Cyber Incident' and whether penetration testing took place and to Risk No. 15 'Capital Programme' as to whether there was a project management methodology. It was confirmed that penetration testing was in place, however, would need to check when it was last undertaken. It was confirmed that a Council project management methodology was in place.

With regards to Risk No. 17 'General Fund Assets', page 69 of the Agenda refers, a query was raised whether this should be on the register when the risk was low. Members were advised that low risk items were often kept on the register so they could be reviewed, and would subsequently be taken off the register if there were too many.

A Member further queried whether the rating was appropriate on Risk No. 18 'Economic Hardship'. The Group Manager (Insights and Transformation) advised that the target risk score, along with the inherent risk score and current risk score would be included in the new policy, furthermore some risk appetite work would also take place.

The Group Manager (Insights and Transformation) advised that she would review all of the risks and would take into account Members' comments made around Risk Nos. 1, 2, 14, 15, 17 and 18.

A Member referred to CORP003 'Business continuity and recovery in the event of a major incident or event', page 63 of the Agenda refers, and queried whether any testing would be carried out to check that the business continuity plans actually worked.

A Member further referred to CORP012 'Technical Infrastructure Failure', page 67 of the Agenda refers and commented that a score of 2 was too low and having seen the outages that had taken place over recent months, considered that the score should be higher.

With regards to Risk 14 'Cyber Incident', page 67 of the Agenda refers, questions were raised with regards to how many cyber attacks had taken

place over the last two years, the frequency of the attacks and how many were successful. The Group Manager (Insights and Transformation) advised that testing was carried out as part of the business continuity plans but would respond to Members with details of the next testing date, along with details on cyber attacks.

A Member referred to CORP001(b) 'Economic Growth', page 62 of the Agenda refers and queried whether the score should be at a higher level so that it tied in with the matrix score on page 69 of the Agenda.

A Member commented that risks could also present opportunities and the Group Manager (Insights and Transformation) advised that the auditors had picked this up in the policy and were looking into it.

Following which, it was

RESOLVED:

That the Risk Management Report be noted.

13. ANNUAL SAFEGUARDING REPORT 2022/23:

David Postle, Strategic Safeguarding Lead and Wellbeing Service Manager presented Members with the Annual Safeguarding Report 2022-2023, pages 73 to 78 of the Agenda refer. A copy of the Strategic Safeguarding Plan was attached at Appendix A, pages 79 to 82 of the Agenda refer.

Members were advised that the report provided an overview of the Council's safeguarding activity from 1 April 2022 to 31 March 2023. It sought to provide assurance that the Council was vigilant in keeping people safe and to challenge any areas which could further improve the Council's current approach to guard against complacency.

Members were also advised that the Safeguarding Policy was due for renewal and the Strategic Safeguarding Lead and Wellbeing Service Manager was currently undertaking that work and once completed it would be published replacing the existing policy.

With regards to training, the Strategic Safeguarding Lead and Wellbeing Service Manager advised that the training programme was being moved to the electronic HR system and then staff would receive their annual training and would allow generating reports on training to become easier.

The Strategic Safeguarding Lead and Wellbeing Service Manager also highlighted the team's approach to case management and advised Members that they were returning to using a central recording system.

Members were invited to put their comments and questions forward.

A Member raised a concern with regards to resources, training and the monitoring of incidents within the team. The Strategic Safeguarding Lead

and Wellbeing Service Manager detailed the structure of the Safeguarding team and confirmed that it was sufficiently resourced. Members were assured that the team was aware and on top of their responsibilities and that their training needs were being met.

A Member queried how many staff within the team were trained in safeguarding, to which the Strategic Safeguarding Lead and Wellbeing Service Manager responded that all staff were trained and it was a rolling programme over 6 years where staff completed one module per year before it refreshed and started again. Furthermore, extra training may be required which was dependent on what level the member of staff was at.

A query was raised in relation to Hate Crime. The Strategic Safeguarding Lead and Wellbeing Service Manager advised Members that the Community Safety Partnership Officer would be providing a report back to Committee on Hate Crime when a format had been agreed.

A Member queried whether they would have to attend Safeguarding training if this had been undertaken elsewhere. The Strategic Safeguarding Lead and Wellbeing Service Manager advised that as a Councillor they would be required to undertake the relevant training offered by the Council.

A Member queried whether any safeguarding incidents had taken place. The Strategic Safeguarding Lead and Wellbeing Service Manager advised Members that concerns were reported to Lincolnshire County Council very infrequently and as with all areas of safeguarding, the team was always learning from safeguarding practices underway across other parts of the country.

Following which, it was

RESOLVED:

That the Annual Safeguarding Report 2022-2023 be noted.

14. LOCAL CODE OF CORPORATE GOVERNANCE:

John Medler, Assistant Director, Governance and Monitoring Officer presented Members with a report, together with a copy of the Local Code of Corporate Governance, pages 83 to 100 of the Agenda refer.

Members were advised that the Local Code of Corporate Governance was designed to support the Council in meeting its commitment to achieving good corporate governance. This committee was being asked to consider whether the revised and updated document accurately reflected the Council's governance arrangements and ensured it was meeting the core principles as set out in the CIPFA guidance 'Delivering Good Governance in Local Government'.

Members were invited to put their comments and questions forward.

A Member referred to 'Robust internal control', page 96 of the Agenda refers and queried whether 'Audit Manager role compliant with CIPFA Statement on the Role of the Head of Internal Audit (2010)' should now be amended since the code was updated in 2019. The Assistant Director, Governance and Monitoring Officer advised that it should read 2019 and made a note to update it.

A Member referred to the Core Principle A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law 'Member register of interests published, and declaration of interests made at meetings', page 90 of the Agenda refers and suggested that Members were not disclosing their interests in the correct manner. With regards to Member and staff register of gifts and hospitality, a Member further queried where this information was retained and what detail staff had to declare. The Assistant Director, Governance and Monitoring Officer confirmed that the responsibility was with the Members to declare their disclosure(s) of interests and confirmed that the completed DPI forms were checked.

In response to the query regarding gifts and hospitality, the Assistant Director, Governance and Monitoring Officer stated that those items were recorded through the completion of a form and retained in the Democratic Services records. Staff interests and gifts and hospitality were recorded in line with the Code of Conduct for Officers.

A Member queried how accessible the staff declaration of interest forms were, to which the Assistant Director, Governance and Monitoring Officer advised that they were not publicly accessible as they did not have the same requirements as declaring interests for elected Members.

A Member made an observation that the report would improve if more links were included and referred to Core Principle E, page 95 of the Agenda refers as an example. The Assistant Director, Governance and Monitoring Officer highlighted that the Local Code of Corporate Governance was a document that evolved over time. Further to a query with regards to including subsidiary companies and amending the Terms of Reference in the Constitution, Members were advised that this would be undertaken by the Committee's Constitution Working Group who would review and advise accordingly.

Following which, it was proposed and seconded that the report be approved.

RESOLVED:

That the Local Code of Corporate Governance 2023-2026 be approved.

15. COMBINED ASSURANCE STATUS REPORT:

John Medler, Assistant Director, Governance and Monitoring Officer presented Members with the Combined Assurance Status Report, pages 101 to 120 of the Agenda refer.

Members were advised that the Combined Assurance Status Report provided a record of assurance against the Council's critical services, key risks, partnerships and projects and supported the Council's commitment to achieving good corporate governance.

Members were invited to put their comments and questions forward.

A Member queried whether the narrative was as consistent as it could be over the different workstreams and whether there were any synergies between the External Audit Report and the Combined Assurance Status Report.

A Member queried whether there were any comparators with councils of a similar demographic profile. It was highlighted that there used to be a group of councils that were used for comparisons which was a useful benchmark to check against the Council's performance.

A Member further queried on what the emerging risks coming through were on critical activities regarding alignment, page 120 of the Agenda refers and also why it was in the critical red rating.

The Internal Audit Manager responded that not everyone used benchmarking, however Assurance Lincolnshire worked across other districts in Lincolnshire and was happy to pass that comparison information on for Members to look at.

With regards to alignment, the Assistant Director, Governance & Monitoring Officer commented that this was used where services were working together more closely and operating with different processes and procedures, whereby it would be picked up as a risk within the partnership arrangement.

A Member considered that the assurance framework was a good model, however referred to page 114 of the Agenda and questioned the red zero per cent rating for Deputy Chief Executive – Corporate Development. The S151 Officer pointed out that it had been classed as red in the Emerging Risks on page 120 and suggested that the report be amended to show red on page 114. It was agreed that further work would be carried out to improve and develop the report and any feedback from Members was welcome.

A Member referred to the Key Messages 'Strategic Partnership Working' relating to the recruitment and retention of staff, page 117 of the Agenda refers, and suggested that it may need to be looked at as a red risk, not amber. The S151 Officer responded that staffing and recruitment nationally was an issue and certain skill sets were unrecruitable so would be happy for this to move to red.

A Member queried whether there was a document outlining ELDC's approach to recruitment and retention of staff. The S151 Officer responded that there was a Workforce Development Strategy which had been approved through Executive Board.

The Internal Audit Manager further commented that recruitment and retention was included as part of the Audit Plan.

The Assistant Director, Governance & Monitoring Officer clarified that the Combined Assurance Status Report was the view of the Management and the Internal Audit Report was the view of the internal auditors. There were three reports in total, Management, Internal Audit and External Audit, therefore they all looked slightly different.

Following which, it was

RESOLVED:

That the findings illustrated in the assurance framework detailed within the Combined Assurance Status Report 2022/23 (attached at Appendix A) was operating effectively as part of the Council's corporate governance arrangements be noted.

16. DRAFT AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2023/24:

Members were presented with the Audit & Governance Committee Work Programme 2023/24, pages 121 to 122 of the Agenda refer.

A Member queried why the Invest East Lindsey audit report had been delayed for so long. The Internal Audit Manager advised Members that it had been due to a lack of staff resource, however assured Members that the report would be presented to Committee in September.

Following a discussion, it was agreed that the Internal Audit Progress Report and the update in respect of RIPA 2000 should be moved from the September meeting to the November meeting.

The Chairman suggested that an informal meeting be set up with Committee Members which could be combined with some training before the next Meeting.

It was further highlighted that there were items on the Work Programme that need to be amended, including the addition of an item for the review of the Constitutional Working Group.

A Member queried whether there was a review of Committee effectiveness on an annual basis for the Audit and Governance Committee and it was confirmed that it should be included on the Work programme.

A Member made reference to the draft copy of the Annual Governance Statement 2022/2023 and queried whether the 2021/2022 outstanding actions would be incorporated in to the new statement. The S151 Officer advised Members that there would be an Action List update produced by the Group Manager (Insights and Transformation) on a regular basis.

A Member pointed out that one of the Independent Members on the Committee had resigned and the term of office for the remaining Independent Member was due to finish in October 2023. The Assistant Director, Governance and Monitoring Officer suggested bringing the Report forward to September's meeting to address the vacancy and the future position of the existing Member whose term was due to expire.

Following which, it was

RESOLVED:

That the Audit and Governance Committee Work Programme 2023/24 be noted.

17. EXCLUSION OF THE PUBLIC AND PRESS:

It was proposed and seconded that the public and press be excluded from the meeting.

RESOLVED:

That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items on the grounds that, if they were present, there could be disclosed exempt information as defined at paragraph 3 of Part 1 of the Schedule 12A of the Act (as amended).

N.B. David Postle, Wellbeing Service Manager, Suzanne Rolfe, Group Manager (Insights and Transformation) and Matt Waller, Internal Audit Manager left the Meeting at 3.00pm.

18. PROPERTY FUND UPDATE:

A confidential report was submitted by the Interim Treasury and Investment Manager, PSPS Limited which enabled Members to consider an update on property fund matters, pages 123 to 128 of the Agenda refer.

RESOLVED:

That the information contained within the exempt minute be noted.

19. DATE OF NEXT MEETING:

The date of the next Meeting was confirmed as Wednesday 27 September 2023.

The meeting closed at 3.10 pm.

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**ACTIONS FROM THE AUDIT AND GOVERNANCE COMMITTEE MEETING
HELD ON WEDNESDAY 5 JULY 2023.**

<u>MIN NO.</u>	<u>AGENDA ITEM</u>	<u>OFFICER</u>	<u>ACTION TAKEN</u>
10.	INTERNAL AUDIT ANNUAL REPORT 2022/23:		
*	The Internal Audit Manager to report back to Committee with the figures on what percentage of recommendations had now been implemented (Performance on Key Indicators).	INTERNAL AUDIT MANAGER (MW)	
12.	RISK MANAGEMENT REPORT:		
✓	(a) The Group Manager (Insights and Transformation) advised that she review all of the risks and would take into account Members' comments made around Risk Nos. 1, 2, 14, 15, 17 and 18.	GROUP MANAGER – INSIGHTS AND TRANSFORMATION (SR)	To be included in the updated Risk Register.
✓	(b) A Member referred to CORP003 'Business continuity and recovery in the event of a major incident or event', page 63 of the Agenda refers, and queried whether any testing would be carried out to check that the business continuity plans actually worked.	GROUP MANAGER – INSIGHTS AND TRANSFORMATION (SR)	"In line with Civil Contingencies Act 2004, ELDC is currently undergoing a process of reviewing and refreshing the business continuity plans of all service areas. This is being carried out in conjunction with colleagues from the County Council's Emergency Planning Team to ensure consistency across the Local Resilience Forum for this work. It is anticipated that this work should be completed by the end of Quarter 4 2023/24. We will normally include an element of business continuity when we test the response plan, but we

				can't/don't test them all at the same time as it isn't possible."
✓	(g)	With regards to Risk 14 'Cyber Incident', page 67 of the Agenda refers, questions were raised with regards to how many cyber-attacks had taken place over the last two years, the frequency of the attacks and how many were successful. The Group Manager (Insights and Transformation) to respond to Members with details of the next testing date, along with details on cyber-attacks.	GROUP MANAGER – INSIGHTS AND TRANSFORMATION (SR)	There is an external formal penetration test annually, this was last done in April for East Lindsey. There is also internal penetration testing which is run routinely on a monthly basis." A response with regards to Cyber-attacks will be circulated to Members via email.
13.		ANNUAL SAFEGUARDING REPORT 2022/23:		
*		The Community Safety Partnership Officer to provide a report back to Committee on Hate Crime when a format had been agreed.	COMMUNITY SAFETY PARTNERSHIP OFFICER (SC)	DATE TBC
16.		DRAFT AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2023/24:		
✓	(a)	The Internal Audit Progress Report and the update in respect of RIPA 2000 to be moved from the September meeting to the November meeting.	DEMOCRATIC SERVICES	These items have been moved to the November Meeting on the Work Programme.
✓	(b)	An informal meeting be set up with Committee Members, to be combined with some training before the next Meeting.	DEMOCRATIC SERVICES	An informal meeting/training session was held on 6 September 2023.
✓	(c)	An item for the review of the Constitutional Working Group to be added to the Work Programme,	DEMOCRATIC SERVICES	This item is included on the Committee Agenda for the Meeting to be held on 27 September 2023.

✓	(d)	'The review of Committee effectiveness' on an annual basis for the Audit and Governance Committee to be included on the Work programme.	DEMOCRATIC SERVICES	A meeting of the Chairs/Vice-Chairs from A & G Committees across the Partnership to discuss this is to be held on 22 September via Teams.
✓	(e)	A report to address the Independent Co-Optee vacancy and the future position of the existing Member whose term was due to expire to be brought to September's Meeting.	DEMOCRATIC SERVICES	This item is included on the Committee Agenda for the Meeting to be held on 27 September 2023.
18.		PROPERTY FUND UPDATE:		
*		A Member queried how much longer it would take to dispose of the remaining assets and whether there were any fees to pay. The Chief Finance Officer, PSPSL commented that she had no details of the properties to hand but would source the information for Members.	CHIEF FINANCE OFFICER, PSPS	
<u>ACTIONS FROM THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ON WEDNESDAY 15 MARCH 2023.</u>				
61.		RISK MANAGEMENT REPORT:		
✓	(d)	CORP0002 - Uncertainty of future Lincshore flood defence scheme', page 113 of the Agenda refers - The Group Manager - Insights and Transformation to feed back for consideration Members' concerns with the likelihood of flooding in the coast and to re-assess the score.	Assistant Director - Planning and Strategic Infrastructure.	<u>UPDATE 21/09/2023:</u> The comments are noted; however, the scoring is considered to be appropriate at this time. Until such time as a formal announcement is made by the EA in relation to increased risk (e.g. as a result of defences or climate change), it is considered appropriate to retain the current risk score. The emerging Strategic Flood Risk Assessment (SFRA) work and ongoing engagement with the

				EA and LCC and other partners enables opportunities to regularly review and mitigate this score.
<u>ACTIONS FROM THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ON WEDNESDAY 01 FEBRUARY 2023.</u>				
45.		INTERNAL AUDIT PROGRESS REPORT – DECEMBER 2022:		
(a)	*	In relation to a credit note raised for £195k for the incorrect amount, page 44 of the Agenda refers. The Assistant Director, Finance to provide further information outside of the meeting to avoid identifying the business concerned.	Chief Finance Officer (PSPS)	Further information has been requested from the service department and will be circulated separately.
(b)	*	The Assistant Director, Finance to provide a response as to why Subscription (Recurring) Invoices were issued (in relation to an invoice valued in excess of £100k), page 44 of the Agenda refers.	Chief Finance Officer (PSPS)	Further information has been requested from the service department and will be circulated separately.
✓	(c)	Further to the low assurance awarded, consideration to be given that S106 Agreements should be linked to the enforcement and non-enforcement of planning conditions.	Assistant Director – Planning and Strategic Infrastructure	<u>UPDATE 21/09/2023:</u> S106s already have measures within them linked to enforcement and non-enforcement; and where necessary are picked up as part of our compliance and monitoring activities. The low assurance rating primarily related to back-office management measures which are in the process of being addressed and are substantially completed.

Number	Finding	Recommendation	Agreed Action	Responsibility & Timescale
1	<p>We acknowledge that the opportunity in forming the Company provided the Council with more freedom and flexibilities in delivering its commercial activities.</p> <p>A robust and detailed project management approach was needed to manage the early stages of the company development. More work on the Company infrastructure should have been in place at the outset, with delivery oversight put on a project management footing.</p>	<p>Review of this action plan and production of a lessons learned document, which is then used to support the current control environment of the company and any future commercial company aims and plans.</p>	<p>The learnings from this audit will be used to inform future planning for the Company.</p> <p>A project management framework has been implemented internally to assist in this area. Significant practice documents are also available to assist.</p>	<p>Responsible project managers implementing these projects - completed</p>
2	<p>The risk assessment in the original business plan report was of a general nature – we would have expected a more detailed risk assessment given that this was a major new venture for the Council and that success (and failure) of local authority owned companies have featured in some recent public interest reports at other councils.</p>	<p>A robust risk management approach should be adopted for key policy and commercial decisions. A well thought out risk appetite should be evident, and the register should clearly show a range of risks, opportunities and issues that reflect likelihood and impact. Mitigating actions must be measurable actions not statements.</p>	<p>The Council includes risk assessment in its report template for all committee decisions. It has adopted a strategy for robust risk management. The activities of the company are covered within the Council's risk register, which is reviewed by A&G committee on a regular basis.</p>	<p>Report authors – completed as a new requirement</p>

3	Training on Directors roles and responsibilities was received in August 2020. A Directors handbook is not in place for the Company, although there is a training presentation which includes key information that all Directors have received a copy of.	Develop a director’s handbook to support clarity on roles and responsibilities.	All Directors have received external training on their role and responsibilities. A copy of that training was also circulated to all Directors as part of their induction, along with key Company documents and information. This will be collated into a single document going forward.	Company Secretary Completed (collation into one document outstanding)
4	It is not uncommon for Officers and Executive Councillors to make up Boards of council companies. A director of a company has a legal duty to promote the best interests of that company – this can conflict with their other roles. The Company does not have a conflict-of-interest policy – setting out how such conflicts should be dealt with when they inevitably arise. They do, however, have a reminder at the beginning of each board meeting to declare any interests.	Develop a conflicts of interest policy for adoption by all company board members.	The Company already requires all Directors to sign a Declaration of Interest form and also complete a related Party Transactions form – these are updated annually and reviewed by the Company secretary. Conflict of Interest is already covered in sections 16 and 17 of the Company’s Articles of Association, including how to deal with conflicts if and when they arise. This action is complete.	Completed.
5	The Executive Board were presented with two options: Option One – relied on the successful formation of the Company due to the legal	Robust and balanced information on option appraisals is an integral part of good governance and acting in the public interest.	Report templates have changed since this decision was taken and ensure that key information is included in the decision-making process. This action is complete.	Completed.

	<p>requirements, this was the recommended option.</p> <p>We found that the alternative option to extend the existing contract was not fully explored in the report to the Executive Board on the 25th of September 2019.</p> <p>We acknowledge that the outcome may not have changed however this level of analysis is needed to provide a complete picture.</p>	<p>Ensure that decision makers are provided with detailed information on all options when presenting papers on key decisions.</p>		
6	<p>A review of the effectiveness of the Council's company scrutiny and oversight reporting arrangements should be undertaken. This should include the level of data provided on alternative options, risks, and financial impacts.</p>	<p>The Council should review its programme of formal oversight and scrutiny of the Company. At least annual reporting by the Shareholder Supervisory Board to the Executive Board and / or Council should be undertaken.</p>	<p>The Council will liaise with the Shareholder Supervisory Board to agree a timetable for reporting to the relevant committee.</p>	<p>Deputy Chief Executive – Programme Delivery (Council and Shareholder Representative) December 2023</p>
7	<p>The nature of the support services provided by PSPS to the Company has not been formally established. Agreed roles and responsibilities of PSPS in respect of the Company have not been defined.</p>	<p>The Council should ensure that appropriate service level agreements are in place for services provided to the Company.</p>	<p>PSPS do not directly provide services to the Company; they provide IT and other services to the Council who 'second' staff into the Company along with all the services the Council receives from PSPS. Other than recharging there is no direct relationship. External financial</p>	<p>Assistant Director – General Fund Assets Completed</p>

			support has been procured by the company.	
8	<p>The Company’s core IT systems, In-site (caravan park management software) and Sage (accounting software) are hosted on a Company laptop, specifically purchased for this purpose, as no agreement was reached with PSPS IT around hosting these systems within ELDC’S IT estate. We understand that proposals are now being considered for the Company to use the Council’s new Finance system (Unit 4 Business World) and for some key finance tasks such as bank reconciliations to be undertaken by members of the wider PSPS Finance team. However, access issues are being encountered by the Finance team with the Company’s existing IT set up.</p>	<p>The financial and IT responsibilities should be removed from the Company Director and assumed by PSPS Finance, and the exact nature of the support clarified, documented, and communicated. Segregation of duties should be a primary consideration within the allocation of financial responsibilities.</p>	<p>The situation has now changed – PSPS are no longer involved in the day-to-day finance of the Company – they (the company) have an accountant undertaking this work for them.</p> <p>The finance and IT duties of the Company are the finance and IT duties of the Company, not of the Council or PSPS. Sage Accounting was moved to the Cloud so is no longer ‘hosted’ by ELDC although the Sage front end application continues to sit on SELCP Councils laptops used by those SELCP staff who are seconded to the Company.</p> <p>The financial role and responsibility of the Director is a matter for the Company and is defined within the Company’s Financial Procedures. The Company has commissioned its own Strategic Financial Advisor and Accountant to support its business and enable the proper,</p>	<p>Assistant Director – General Fund Assets Completed</p>

			transparent management of its finances through the Sage platform.	
9	There is no formal agreement such as a profit share agreement between the Council and Company around the terms of the payment of profits back to the Council. Per the terms of the first business plan “the net profits from sales and the hire fleet will be returned to the Council as shareholder through the payment of dividends on profits.’ Per the caravan sales proposal the “Council would receive the net profits on caravan sales as a condition of the loan agreement with the Company”. Both loan agreements are silent as to the requirement for profits to be paid to ELDC. The Company has not made a profit to date and no dividend has been paid to ELDC.	<p>An agreement should be drawn up to formalise the arrangements for the payment of dividends. This should include proportion of profits to be paid, level of profit to be reached for a dividend to be paid and timing of dividend payment.</p> <p>As a minimum a formal process should be agreed between the Council and Company for the agreement and approval of dividend payments.</p>	Paragraphs 36 – 42 of the Company’s Articles of Association deal specifically with declaration, calculation, and distribution (payment) of dividends. We believe this constitutes the formal process. However, a separate document detailing the formal process will be agreed between the Council and the Company.	Legal Advisor December 2023
10	The key controls to mitigate the potential financial and reputational risks associated with the caravan operations, as documented in the Executive and Council papers, are as follows. The ‘approval of the annual business plan and robust analysis of business cases required	Ensure there is clarity and understanding of the two different documents. Decision makers and council records need to be specific and provide clarity to decision makers at the time and support a full robust audit trail of decisions.	This has been addressed and the Council and Company both now understand that a ‘Business Plan’ is a plan of action for the company over a period of time and a ‘Business Case’ refers to a project or one aspect of the company. This will be reflected	Completed

	<p>to secure any local authority funding for the company's activities.</p> <p>There is confusion in the terminology used around 'business case' and 'business plan' in the Council papers, which are two separate business documents. The Council paper refers to the 'business plan' as the 'business case' and allude to the 'business case' as collectively being the business plan and trading forecasts.</p>		<p>in all future papers relating to the Company.</p> <p>This action is completed.</p>	
11	<p>Although we were informed that the formation of the company was discussed at a Reserved Members Day, the Executive Board minutes from 25 September 2019 provide no evidence of scrutiny or challenge of the notion to form the company, the proposed caravan sales operation or of the £272K loan request, prior to the decisions being made. Similarly, there is no evidence of any robust challenge of the Company's business plan or the £291K loan request in the Council minutes from 4 December 2019.</p>	<p>Adequate records should be maintained to evidence discussions held for key decisions and to provide assurance that the decisions made and risks to the Council and public purse have been thoroughly considered.</p>	<p>All committee meetings are fully and properly minuted, with minutes being approved by Members at subsequent meetings. They are an agreed accurate summary of what has been said and discussed at a meeting. Report templates have been changed and improved since the reports in question were considered by committee (see action 5). This action is completed.</p>	<p>Completed.</p>
12	<p>Under the Audit and Governance Committee's Terms of Reference, it</p>	<p>Updates on the Company's activities and governance</p>	<p>The Council will liaise with the Shareholder Supervisory Board</p>	<p>Deputy Chief Executive –</p>

	is required to consider the adequacy and effectiveness of the Council's risk management arrangements. As at the time of audit testing there was no evidence of formal discussion of the risks / governance arrangements pertaining to the development company, nor any evidence of oversight by the Audit and Governance Committee over the Company's activities.	framework should be provided to the A&G for review and discussion on a periodic (minimum 6 monthly) basis. This should include a review of the Company's risk register.	to agree a timetable for reporting to A&G – suggest an annual update in line with the Company's review of its governance documents and in line with action 6.	Programme Delivery
13	Oversight and scrutiny of the Company or the decision around its formation by the Overview Committee has been limited to the Chair of the Committee being a member of the Shareholder Supervisory Board. Other than the initial scrutiny of the decision to form the Company in October 2019, at the time of the audit there was limited scrutiny of this decision or of the Company's performance to ensure that the operation of a trading company remains on the best interests of the Council.	Review the scrutiny of the Company's performance and ensure this has been built into the scrutiny work programme.	This links to action 6. In addition, scrutiny of the Company is now part of the Overview Committee scrutiny work programme for 23/24. This action is complete.	Completed
14	A Shareholder Agreement has been drawn up between the Council and the Company, but no signed copy of the agreement could be provided to	1. The Shareholders Agreement should be reviewed to ensure it is up to date and signed by both parties.	1. The Shareholder Agreement has been reviewed, updated, and signed by both parties	Completed

	<p>us. The Shareholder agreement is a key component of the governance framework. It protects the financial interests of the Council, as the Council does not have control over the day to day running of the Company. A signed agreement confirms mutual understanding and acceptance of how the Company will operate.</p>	<p>2. Adherence to the terms set out in the Agreement should be routinely monitored by both parties.</p>	<p>2. This Shareholder Agreement has recently been reviewed by the Council and the Company and a Council and Shareholder Representative (Adrian Sibley) has been appointed to liaise with the Company Secretary and ensure that the terms are adhered to. This action is complete.</p>	
15	<p>There is no clear process in place to assure Members that the Shareholder Supervisory Board is working effectively. The terms of reference of the Shareholder Supervisory Board state:</p> <p>“There will be annual reporting to the Council on the activities of the Board and operation of the Company” (clause 4.3) and “These terms of reference shall be reviewed at least annually, and any amendments shall be approved by the Council” (clause 6.1).</p> <p>At the time of the review there had been no reporting on Shareholder Board activities to the Council and</p>	<ol style="list-style-type: none"> 1. Provide reporting and oversight assurance, as specified in the terms of reference on the effectiveness of the SSB. 2. Review and update the terms of reference as to ensure they remain fit for purpose. 3. Reporting should ensure that Members outside of the Shareholder Supervisory Board have adequate oversight of the Company’s performance, 	<ol style="list-style-type: none"> 1. The Council will request a report from the SSB (link to action 6, 12 and 13) 2. This has been completed 3. This will be covered as part of action 6, 12, 13. 	Deputy Chief Executive – Programme Delivery

	the terms of reference require review.	financial position, or management of risks.		
16	Whilst we did not identify any evidence of fraudulent activity, we did identify a number of serious control weaknesses which expose the Company and Council to significant risk of fraud and error. We also note that the Company's first set of accounts for the year ended 31 March 2021 were overdue for filing with Companies House (due as of 2 January 2022) and the management letter from the external auditors contained a large number of findings for management attention, which are consistent with the financial findings below.	Adequate resource and expertise need to be applied to the financial oversight and controls in order to manage day to day company operations and longer-term financial oversight and planning.	The Company has informed the Council that they have used a Financial Advisor to assist with financial oversight and planning. An accountant has also been appointed to manage day to day financial operations. This action is complete.	Completed
17	Company cashflow forecasts are not being produced. In addition to its day-to-day outgoings, the Company pays salary and director recharges on a 6 monthly basis and interest and capital on its loans at year end. It is therefore essential that the Company and Shareholders have visibility over its projected cashflows and plan accordingly to ensure it can manage its working capital, meet its	Ensure key financial support and oversight is maintained to support transparency and effective controls on financial forecasts and medium-term financial planning.	The Company has informed the Council that they have used a Financial Advisor to assist with financial oversight and planning. An accountant has also been appointed to manage day to day financial operations. This action is complete.	Completed

	financial obligations, and reduce the risk of overtrading.			
18	<p>There is no segregation of duties in the purchasing process. There are two individuals who can incur spend, make payments, post transactions, and reconcile the accounts on their own without any separation of duties.</p> <p>Both of these individuals are sole signatories for the Company's bank account and are therefore able to make payments themselves online or via cheque without any further authorisation.</p>	Ensure fundamental finance controls are in place to reduce the risk of fraud and error.	This has been addresses – see information in action 16 and 17 above. Completed	Completed
19	<p>At the time of this Audit, there were no Company financial policies and procedures, documented financial roles and responsibilities, nor scheme of delegation in place to provide a framework for managing the Company's resources.</p> <p>We identified some practices which demonstrate of a lack of policy, oversight, and control over the Company's finances at all levels.</p>	Ensure tight financial control and regulations are applied and continue to be updated and have adequate oversight	<p>Financial regulations were drafted in 2021, approved and updated in 2022 and updated and approved again in 2023. They include sections on Corporate Governance, financial management and control, financial planning, risk management, financial systems, and procedures.</p> <p>This action is completed.</p>	Completed