

Minutes of a Meeting of the Audit and Governance Committee held at the Hub, Mareham Road, Horncastle, Lincolnshire LN9 6PH on Wednesday, 11th September, 2024 at 11.15 am.

PRESENT

Councillor Rosalind Jackson (Chairman)

Councillors Stef Bristow, Danny Brookes, Richard Fry, Will Grover and Edward Mossop.

Councillor Carleen Dickinson attended the Meeting as a Substitute.

OFFICERS IN ATTENDANCE:

Christine Marshall	- Deputy Chief Executive (Corporate Development) and S151 Officer
John Medler	- Assistant Director Governance & Monitoring Officer
James Boyle	- External Audit Director, KPMG LLP
Martin Gibbs	- Procurement and Contracts Manager
Sean Howsam	- Treasury and Investment Manager, PSPS Limited
Jonathan Pocock	- Senior Auditor, Lincolnshire County Council (virtual)
Rebecca James	- Scrutiny and Policy Officer
Suzanne Rolfe	- Insights & Transformation Manager (virtual)
Adrian Sibley	- Deputy Chief Executive, Programme Delivery and SIRO
Emily Spicer	- Assistant Director, Wellbeing and Community Leadership
Mark Surridge	- External Audit Manager, Mazars LLP (virtual)
Matthew Waller	- Internal Audit Manager, Internal Audit Lincolnshire County Council
Laura Allen	- Democratic Services Officer

**15. APOLOGIES FOR ABSENCE:**

Apologies for absence were received from Councillors James Knowles and Jill Makinson-Sanders.

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 Carleen Dickinson had been appointed to the Committee in place of Councillor Jill Makinson-Sanders for this Meeting only.

**16. DISCLOSURE OF INTERESTS (IF ANY):**

At this point in the meeting, Members were invited to declare any relevant interests. None were received.

**17. MINUTES:**

The Minutes of the Meeting held on 19 June 2024 were agreed as a correct record.

**18. CHAIRMAN'S UPDATE:**

The Chairman updated Members on the resignation of Independent Co-opted Member Walter Leschenko and thanked him for his efforts and valuable contribution to the Committee.

In reference to the local audit backlog, the Chairman informed Members of the new backstop date of 13th December 2024 for local authorities to publish audited accounts for financial years up to and including 2022/23, and of the five additional dates which followed delays brought about by exceptional circumstances.

**19. ACTION SHEET:**

Members were referred to the Action Sheet, pages 11 to 12 of the Agenda refer.

Members noted that the actions from the Meeting held on 19 June 2024 were confirmed as completed or in hand.

No questions or comments were received.

**20. PARTNERSHIP ANNUAL SAFEGUARDING REPORT 2023/24:**

Emily Spicer, Assistant Director Wellbeing and Community Leadership presented Members with the Partnership Annual Safeguarding Report 2023/2024, pages 13 to 36 of the Agenda refer. A copy of the draft SELCP Safeguarding Policy and Procedures was attached at Appendix A and detailed at pages 19 to 36.

Members were advised that the report provided an overview of the Council's safeguarding activity from 1 April 2023 to 31st March 2024. 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 further advised that the Safeguarding Policy had been reviewed to create a single joint policy across the South & East Lincolnshire Council Partnership and was expected to be approved by all three councils before the end of 2024.

Members were invited to put their comments and questions forward.

- In reference to the Safeguarding Incident Flowchart, a Member queried whether a simplified summary or list was available for identifying the best points of contact at a lower level when seeking

information or an informal discussion, page 27 of the Agenda refers. In response, the Assistant Director Wellbeing and Community Leadership advised Members that a more summarised version was available on a poster and that Jason Oxby, Housing Solutions Manager was the primary point of contact for any queries or concerns. The Assistant Director Wellbeing and Community Leadership confirmed to Members that a summary of contacts would be made available to Members.

- In reference to Paragraph 1.11, a Member highlighted an incomplete sentence, page 15 of the Agenda refers. In response, the Assistant Director Wellbeing and Community Leadership confirmed to Members that the sentence would be removed.

Following which, it was

RESOLVED:

That the Annual Safeguarding Report 2023-2024 be noted.

## **21. CENTRE FOR GOVERNANCE AND SCRUTINY REPORT:**

The Chairman presented Members with the Centre for Governance and Scrutiny (CfGS) report which had been referred to Audit and Governance Committee from the Overview Committee for consideration and noting, pages 37 to 58 of the Agenda refer.

John Medler, Assistant Director - Governance and Monitoring Officer advised Members that the report provided value in highlighting the overlap and different responsibilities between the two Committees and that the Council's Constitution provided a framework to avoid duplication of the Committees' roles.

No further comments or questions were received.

Following which, it was

RESOLVED:

That the Centre for Governance and Scrutiny report be noted.

## **22. Q1 RISK REPORT 2024/25:**

Suzanne Rolfe, Group Manager - Insights and Transformation presented Members with the Q1 Risk Report 2024/25, pages 59 to 78 of the Agenda refer. A copy of the Q1 strategic risks was attached at Appendix 1, detailed at pages 69 to 78.

Members were advised that the Risk Management Framework was based on good practice and had incorporated elements from across the

Partnership to ensure consistency. The report was being taken forward to the Executive Board and then to Council for approval.

Members were further advised that concerns with the readability of Appendix 1 - Q1 strategic risks when published as a hard copy were continuing to be addressed and changes would be reflected in future reports.

Members were invited to put their comments and questions forward.

- In relation to Lincshire flood defence risk, a Member queried whether Partnership working referred to the three Councils and whether the risk had increased following the uncertainty of flood defence schemes and the change of Government, page 69 of the Agenda refers. In response, the Group Manager – Insights and Transformation confirmed that an update on the latest position would be requested from the Assistant Director, Planning and Strategic Infrastructure.
- The Chairman commented on the high number of risks observed in the report and queried the inclusion of the General Fund Assets risk on the register as a strategic risk rather than as an operational risk, page 70 of the Agenda refers.
- The Chairman further commented on risk 7 - Risk of the Local Plan not delivering economic growth & prosperity and that a new NPPF later in the year may lessen the Council's risk of the local plan not delivering, page 69 of the Agenda refers.
- In reference to risk 21 - External Communication, the Chairman commented that there was an online shift in the way in which people accessed news platforms and that the Assistant Director – Corporate had been contacted with suggestions for possible risk mitigations, page 70 of the Agenda refers.
- In reference to risk 23 - Service Delivery, the Chairman requested clarification on the nature of the risk, page 71 of the Agenda refers. In response, the Group Manager - Insights and Transformation advised Members that Service Delivery was a wide area and that the risk was retained as an early warning system for issues when they started to arise. The Group Manager - Insights and Transformation further confirmed that both asset and service delivery risks remained on the register for quarterly monitoring and early detection.

The Group Manager - Insights and Transformation further informed Members that all risks were being reviewed over the forthcoming quarters and would be assessed against the priorities in the Sub Regional Strategy.

Following which it was,

RESOLVED:

That the Q1 Risk Report - 2024/25 Report be noted.

**23. Q1 TREASURY REPORT 2024/25:**

Sean Howsam, Treasury and Investments Manager presented Members with the Q1 Treasury Report 2024/25 to provide Members with an update on Treasury Management performance and activity to ensure best practice was maintained, pages 79 to 104 of the Agenda refer.

The Treasury and Investments Manager detailed and highlighted pertinent information to Members from the Treasury Report on the Council's "Treasury Management Strategy Statement and Annual Investment Strategy" at Appendix A, pages 85 to 104 of the Agenda refer.

Members were invited to put their comments and questions forward.

- A Member queried comments made on divesting funds raised during an earlier training session and sought clarification whether the funds were the same funds noted on page 94 and 95 of the Agenda. In response, the Treasury and Investments Manager confirmed that was correct.
- In reference to Creditworthiness, a Member commented on the change in credit ratings over the quarter under review and queried whether credit rating changes had affected consideration of which parties to invest with, page 91 of the Agenda refers. In response, the Treasury and Investments Manager advised Members that credit ratings were constantly under review and that changes were reported by Link Group, the Council's Treasury Management advisors.

The Treasury and Investments Manager further advised Members that in some instances, credit rating changes would not affect the recommended duration for investment and that when recommendations changed, the investment would be held to maturity to wait until the credit rating improved and to avoid financial penalties from requesting the investment back early. The Treasury and Investments Manager further confirmed that there were currently no investments on the list affected by credit rating reductions.

- A Member queried the status of repayment of loans to Invest East Lindsey. In response, the Section 151 Officer informed Members that the Council was in the process of agreeing a full schedule of repayments with Invest East Lindsey and that some repayments had been made on time and others had been renegotiated following delays in proposals. The Section 151 Officer further confirmed that

information on repayment progress would be made available to Members in due course.

- In reference to the list of financial institutions the Council had provided with cash investments, a Member queried the justification for investments to such a high number of local authorities, page 92 of the Agenda refers. In response, the Treasury and Investments Manager advised Members that local authority investments were undertaken in accordance with the Council's Treasury Strategy and were placed with approved management institutions that the Council could invest with. The Treasury and Investments Manager assured Members that investment with local authorities was very secure as they were backed by the UK Government and that background checks were undertaken before investment decisions were made.
- In reference to Property Funds (Capital Expenditure), a Member commented on the lack of success observed, page 95 of the Agenda refers.
- In reference to the Sustainable Warmth Scheme in the General Fund Capital Expenditure 2024/25, a Member queried the revised budget figure of £15,078,000 and whether criteria issues had affected the deployment of grants, page 101 of the Agenda refers.

In response, the Section 151 Officer advised Members that clarification would be requested from the Group Manager for Climate Change and Environment.

- A Member queried the frequency that ELDC had invested cash into other local authorities. In response, the Treasury and Investments Manager provided Members with an example where the Council had lent funds prior to undertaking the premature Public Works Loan Board debt repayment in 2023 which had resulted in the Council's need for short term borrowing.

The Section 151 Officer further advised Members that authorities were either net lenders or net borrowers and that ELDC were a cash rich authority and were not debt orientated.

- A Member queried cash investments to the Police and Crime Commissioner (PCC) for Merseyside and whether the PCC's Office had the same reporting standards as local authorities, page 92 of the Agenda refers. In response, the Section 151 Officer assured Members that the PCC was covered by the same regulations and regulatory frameworks as local authorities and had an equivalent of a Section 151 Officer which held statutory responsibilities set out in legislation.
- A Member further queried whether financing the Office of the PCC included financing the police. In response, the Section 151 Officer

advised Members that the Council was satisfied with lending the PCC's Office money and could not comment on the ways in which the funds were being spent.

- A Member queried whether ELDC would consider lending money to other Councils within Lincolnshire. In response, the Section 151 Officer confirmed to Members that considerations would be made for any authority in the market for cash that were offering a good rate.

No further comments or questions were received. The Chairman thanked the Treasury and Investment Manager for his report.

Following which it was,

RESOLVED:

That the Mid Term Treasury Management Update 2024/25 be noted.

#### **24. INTERNAL AUDIT PROGRESS REPORT:**

Matthew Waller, Internal Audit Manager, Internal Audit Lincolnshire County Council presented the Internal Audit Progress Report September 2024 to Members summarising East Lindsey District Council's responsibilities to undertake effective internal audit, pages 105 to 122 of the Agenda refer.

Members were advised that a briefing note from the Assistant Director for Planning and Strategic Infrastructure had been circulated to Members prior to the meeting in relation to the Outstanding s106 Audit Recommendation (a copy is attached at Appendix A to the Minutes).

Members were invited to put their comments and questions forward.

- The Chairman requested clarification on the definition of 'CF policies', page 118 of the Agenda refers. In response, the Internal Audit Manager advised Members that CF referred to Counter Fraud policies in the Q1 Assurance Work for 2024/25.
- The Chairman requested further clarification on 'Capacity Aims and Priority' as highlighted in the Q4 Assurance Work for 2024/25, page 119 of the Agenda refers. In response, the Internal Audit Manager confirmed to Members that the audit focused on the aims and priorities of ELDC and that audit preparation involved scoping meetings with management to define the risks that would be examined.
- A Member queried whether the delays in publishing the audited accounts had affected the internal auditor's progress. In response, the Internal Audit Manager confirmed to Members that the delays had no effect on the internal audit process.

- In relation to Performance Management, a Member requested clarification on the high-risk rating in relation to the accuracy and authenticity of the formal procedure used to verify performance data, page 116 of the Agenda refers. In response, the Internal Audit Manager confirmed to Members that the inclusion of high-risk findings was to ensure there was an additional layer of assurance in place for areas that could be improved upon.
- In reference to 'Finance systems – Bank Reconciliation' in Q2 Assurance Work 2024/25, a Member queried whether the issue related to PSPS software incompatibilities, page 119 of the Agenda refers. In response, the Internal Audit Manager advised Members that a constant review of the Council's internal controls was undertaken and that the Bank Reconciliation audit was currently in progress. The Section 151 Officer further clarified that the issue identified with software was an entirely separate matter which related to Invest East Lindsey.

No further questions or comments were received. The Chairman thanked the Internal Audit Manager for his report.

Following which it was,

RESOLVED:

That the Internal Audit Progress Report September 2024 be noted.

*N.B. The Treasury and Investment Manager left the Meeting at 12.04pm.*

## **25. EXTERNAL AUDITORS PROGRESS REPORT 2021/22 AND 2022/23:**

Mark Surridge was in attendance remotely on behalf of Mazars LLP, External Auditors, to present the External Audit Progress Report August 2024, pages 123 to 126 of the Agenda refer.

The report provided the Audit and Governance Committee with an update on progress made by Mazars LLP in delivering its responsibilities as East Lindsey District Council's external auditor for 2021/22 and 2022/23.

The representative of Mazars LLP advised Members that the report covered two financial years audits and any other significant matters to date. Members were informed that the 2021/22 audit was substantially complete pending the final set of financial statements and that the 2022/23 audit could not commence until the financial statements had been prepared.

Members were further informed that several letters had been received from members of the public and that anything further to report would be featured in the auditor's annual report before the end of December 2024.



Members were invited to put their comments and questions forward.

- A Member queried the reason that the completion of the 2022/23 accounts would not occur before the backstop date of 13 December 2024. In response, the representative from Mazars LLP explained to Members that there were no financial statements to audit and that resources had been allocated to clients who had presented financial statements in order to meet the backstop date.
- A Member further queried which accounts had not been presented and whether the accounts included Invest East Lindsey. In response, the Section 151 Officer reminded Members that the 2022/23 accounts were expected to meet the backstop date as the accounts had not been ready for some time. The Section 151 Officer further advised Members that the 2022/23 and 2023/24 accounts were being prepared in parallel and that it was not possible for the 2022/23 accounts to be fully audited and published within the three months that remained. Assurance was provided that the Council was in full progress with KPMG in delivering the 2023/24 audit.

No further questions or comments were received.

Following which it was,

RESOLVED:

That the External Audit Progress Report September 2024 be noted.

**26. INDICATIVE EXTERNAL AUDIT PLAN AND STRATEGY MEMORANDUM FOR THE YEAR ENDING 31 MARCH 2024:**

James Boyle was in attendance on behalf of KPMG LLP, External Auditor, to present the Indicative External Audit Plan and Strategy for the Year Ending 31 March 2024, pages 127 to 174 of the Agenda refer.

The report provided the Audit and Governance Committee with an update on progress made by KPMG LLP in delivering its responsibilities as East Lindsey District Council's external auditor for 2024/25.

The representative of KPMG LLP advised Members that the report outlined the indicative risk assessment and planned audit approach and noted that an audit opinion had not yet been expressed for 2023/24. The representative of KPMG LLP further advised Members that any significant changes to the planned approach would be communicated once this had been done.

Members were invited to put their comments and questions forward.

- The Chairman queried whether it was correct that materiality was lower than usual, pages 129 and 130 of the Agenda refer. In

response, the representative of KPMG advised Members that the overall materiality figure could fluctuate between 0.5% and 3% of the presumed benchmark and that a difference may be observed year on year depending on the forecasted amount. The representative from KPMG assured Members that the amount was kept under constant review and that benchmark reviews were re-evaluated when the draft financial statements were received to ensure accuracy. The representative from KPMG further advised Members that the value of materiality being lower than anticipated was due to performance materiality where limited risks could be 75-85% of the materiality figure which was dependent on the risk framework of the organisation.

- In relation to efficiencies, the Chairman further commented on the ongoing need to make big savings rather than savings from one off occurrences, page 146 of the Agenda refers. In response, the representative from KPMG advised Members that efficiencies had been referenced in a number of KPMG's value for money risk assessments and that efficiency programmes were not as formalised as used in other sectors such as the NHS, and that approaches in other sectors could be used to improve benchmarking and to improve on good practice. The representative from KPMG concluded that best practice would be demonstrated through reporting and monitoring efficiency programmes.

No further questions or comments were received.

Following which it was,

RESOLVED:

That the Indicative External Audit Plan and Strategy for the Year Ending 31 March 2024 be noted.

## **27. EXTERNAL AUDITORS PROGRESS REPORT:**

James Boyle was in attendance on behalf of KPMG LLP, External Auditor, to provide an update.

The representative of KPMG LLP advised Members that the progress report followed on from the indicative external audit plan and that KPMG was in the process of working with PSPS to audit the 2023/24 financial statements of all three Partnership Councils. The representative of KPMG further advised Members that East Lindsey's audit would be carried out following completion of Boston Borough Council and South Holland District Council.

The representative from KPMG emphasised the importance of implementing a timetable to achieve the backstop deadline of 13th December 2024 and assured Members that KPMG was working closely

with the Section 151 Officer and PSPS colleagues to ensure progress was on track.

Members were invited to put their comments and questions forward.

None were received.

## **28. PROCUREMENT EXEMPTIONS REGISTER:**

Martin Gibbs, Head of Procurement and Contracts referred Members to a copy of the Exemptions Register, pages 175 to 182 of the Agenda refer.

Members were informed that the update related to the exemptions that had been signed off during the six-month period from 1st March 2024 to 31st August 2024.

The Head of Procurement and Contracts advised Members that a higher number of exemptions compared to the previous six-month period had been attributed to the National Portfolio Organisation (NPO) funded projects and that ELDC had been successful in receiving NPO status from Arts Council England. Members were further advised that the Partnership had received £2m over a three-year period from 2023 to 2026 and that ELDC was the facilitating organisation for the spending of grant funds.

Members were invited to put their comments and questions forward.

- The Chairman queried whether the Arts Council operated a procurement system that was as robust as the Councils. In response, the Head of Procurement and Contracts informed Members that the procurement systems of the Arts Council were not relevant to the projects managed by ELDC. Members were further advised that projects that were artistic or cultural and were bespoke in nature allowed for them to be exempted under the Council's contract procedure rules.

No further questions or comments were received.

The Chairman thanked the Head of Procurement and Contracts for his informative update.

*N.B. The Head of Procurement and Contracts left the Meeting at 12.26pm.*

## **29. AUDIT AND GOVERNANCE ANNUAL REPORT 2023/2024:**

The Chairman presented Members with the Audit and Governance Committee Annual Report 2023/24, pages 183 to 194 of the Agenda refer.

The report provided Members with an overview of the activity of the Audit and Governance Committee during the municipal year 2023/24.

Members were referred to Appendix A, pages 187 to 194 of the Agenda refer.

The Chairman advised Members of an additional training session undertaken by Members on 6th September 2023 which included Finance, Invest East Lindsey and an update on Schroeders, page 194 of the Agenda refers.

Members were invited to put their comments and questions forward.

- A Member queried whether the report had omitted the resignation of the second Independent Co-Optee. In response, the Chairman advised Members that the resignation of Walter Leschenko fell within the next Municipal Year and would be included in the subsequent 2024/25 report.
- A Member spoke in support of the format of the report.
- The Assistant Director Governance and Monitoring Officer informed Members that it was best practice for the Audit and Governance Committee to report its previous year's work to full Council and that it was valuable to receive feedback on the work being undertaken by the Committee.
- A Member encouraged that the Annual Report would generate greater interest and awareness of the Committee's work.

No further comments or questions were received.

Following which it was,

RESOLVED:

- That the Audit and Governance Committee's Annual Report 2023/24 be approved and presented to Full Council on 9th October 2024;
- An amendment to be made to the report to reflect that additional training was undertaken by Members on 6th September 2023.

### **30. COMMITTEE WORK PROGRAMME 2024/25:**

*N.B This item was brought forward at the Chairman's discretion.*

Members were presented with the Audit & Governance Committee Work Programme 2024/25, pages 195 to 198 of the Agenda refer. Members were invited to put their comments and questions forward.

- James Boyle, External Audit Director, KPMG informed Members that a detailed summary could be provided to more accurately reflect a timeline for which reports would be expected as part of the Committee's Work Programme.

- Matt Waller, Internal Audit Manager, Internal Audit Lincolnshire County Council requested that the Combined Assurance Report be added to the Committee's Work Programme for March 2025 to complement the Audit Plan.
- In reference to the Centre for Governance and Scrutiny (CfGS), a Member queried whether any opportunities for attendance at national events had come forward which would enable benchmarking to be undertaken against other authorities and to improve the effectiveness of the Audit and Governance Committee. In response, the Chairman confirmed that further information would be sought on opportunities for Members.

Following which it was,

RESOLVED:

That the Committee Work Programme 2024/25 be noted.

**31. DATE OF NEXT MEETING:**

*N.B This item was brought forward at the Chairman's discretion.*

The programmed date for the next Meeting of this Committee was noted as Wednesday 30 October 2024.

**32. EXCLUSION OF PUBLIC AND PRESS:**

RESOLVED:

That under Section 100 (a) (4) 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 to them exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act (as amended).

**33. APPOINTMENT OF INDEPENDENT CO-OPTED MEMBERS:**

An verbal update was provided by the Chairman which enabled Members to consider the recruitment and appointment of Co-opted Independent Members to the Audit and Governance Committee.

RESOLVED:

That the Recommendations contained within the exempt minute be agreed.

**34. UPDATE ON INVEST EAST LINDSEY LIMITED:**

A confidential report was submitted by the Deputy Chief Executive – Programme Delivery, to enable Members to receive an update regarding the operation and activities of Invest East Lindsey Limited.

RESOLVED

That the report be noted and that the recommendations contained within the Exempt Minute be approved.

The meeting closed at 1.37 pm.

## **Briefing Note for Audit & Governance**

**Date: ELDC - 11<sup>th</sup> September 2024**

**Subject: Outstanding s106 Audit Recommendation**

**Author: Phil Norman – Assistant Director for Planning**

### **Background:**

The outstanding audit recommendation in respect of s106 monitoring to be completed by end of August 2024 is as follows:

“A formal process will be introduced within 3 months to ensure that letters are sent out a) when a new s106 is received and funding is available b) prior to funding expiring (at an interval of 12 month and then 6 months to enable time to spend.”

### **Update:**

It can be confirmed that in respect of this action officers are of the view (subject to testing) that this request can be considered complete as of the end of August 2024.

Amanda Seaton has extended her South Holland s106 Monitoring Officer role across the three Councils via a s113 agreement pending a wider service review.

A direction of travel to align processes across the three Councils is underway, including improved communication. It should be noted that these processes mirror those that were brought in at South Holland following a previous audit.

Quarterly meetings have now been set up with outside bodies (LCC and NHS), as well as the introduction of an allocations report to Senior Leadership Team where monies to be spent within the relevant Councils will be reported on a 6 monthly basis. S106 agreements/deed of variations are forwarded to the relevant outside bodies when received.

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