

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