

Minutes of an Extraordinary Meeting of the Audit and Governance Committee held in the Hub, Mareham Road, Horncastle, Lincolnshire LN9 6PH on Wednesday, 12th February, 2025 at 10.15 am.

PRESENT

Councillor Rosalind Jackson (Chairman)
Councillor Jill Makinson-Sanders (Vice-Chairman)

Councillors Stef Bristow, Richard Fry, Will Grover, James Knowles and Edward Mossop.

Christopher Pilkington and Ian Silcox-Crow attended the Meeting as Independent Co-Optees.

GUESTS IN ATTENDANCE:

Councillor Daniel Simpson

OFFICERS IN ATTENDANCE:

Christine Marshall	- Deputy Chief Executive (Corporate Development) and S151 Officer (Virtual)
Ellie Stacey	- Deputy Chief Finance Officer (Corporate), PSPS Limited
John Medler	- Assistant Director Governance & Monitoring Officer
James Boyle	- External Audit Director, KPMG
Rosie Kelly	- External Audit Manager, KPMG (Virtual)
Matthew Waller	- Internal Audit Manager, Internal Audit Lincolnshire County Council
Laura Allen	- Democratic Services Officer

76. APOLOGIES FOR ABSENCE:

Apologies for absence were received from Councillor Danny Brookes.

77. DISCLOSURE OF INTERESTS (IF ANY):

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

Declarations were made as follows:

Councillor Jill Makinson-Sanders requested it be noted that she was on the Board of Directors for PSPS Limited.

Councillor Richard Fry requested it be noted that he was on the Board of Directors for PSPS Limited.

78. ANNUAL GOVERNANCE STATEMENT 2023/24 AND FINANCIAL STATEMENTS 2023/24:

The Deputy Chief Finance Officer (Corporate), PSPS Limited presented Members with the Annual Governance Statement 2023/24 and Financial Statements 2023/24 which were required to be approved by the Committee prior to publishing on the Council's website, as per the Accounts and Audit Regulations 2015 and by the backstop date of 28th February 2025, pages 7 to 124 of the Agenda refer.

Members were reminded that the Draft Annual Governance Statement and the Unaudited 2023/24 Financial Statements had been considered by the Committee on 27th November 2024.

Members were further advised that KPMG were issuing a disclaimed audit opinion due to being unable to undertake a full external audit and that assurances would be rebuilt over multiple audit cycles.

Members were invited to put their comments and questions forward.

- A Member queried the number of additional cycles that the Council would have disclaimed audit opinions before it returned to full audit confidence. In response, James Boyle - External Audit Director, KPMG advised Members that insight into local audit reset and recovery phases had been highlighted in the ISA 260 or Year End report for Agenda Item 5, and that risk assessment work for 2024-25 was well underway, pages 177 to 179 of the Agenda refer.

Members were further advised that disclaimed audit opinions would take a few years to rectify, and that East Lindsey District Council was being prioritised in the external audit processes undertaken across the Partnership for 2024-25. The External Audit Director, KPMG assured Members that good progress to building back assurance was expected by the end of 2025.

- In reference to the statement which noted that the Financial Statements presented in Appendix 1 were currently being subject to a final verification by the external auditors, a Member queried whether the final verification had been concluded, page 4 of the Agenda refers. In response, the Deputy Chief Finance Officer (Corporate), PSPS Limited advised Members that final processes were underway with the intension for sign off to occur in advance of the backstop date.
- In reference to the actions proposed to improve governance arrangements, a Member requested assurance on the progress of the actions for the alignment of the Councils' Constitutions and a relaunch of the Member Development Group across the Partnership, page 112 of the Agenda refers. In response, John Medler, Assistant Director (Governance) and Monitoring Officer advised Members that both work programmes were underway and that additional

consideration was needed on the way in which the work on the Constitution was progressed following the announcements on local government reorganisation.

Members were further advised that both topics had not been finalised and that a Partnership Membership Development Group was under discussion with the relevant Portfolio Holders of each Council to determine whether a joint approach would be moved forward.

- A Member stressed that it was important to continue with alignment of the Councils' Constitutions irrespective of local government reorganisation.
- A Member requested further clarification on the proposed scope of the Membership Development Group. In response, the Assistant Director (Governance) and Monitoring Officer advised Members that the full scope of the group had not been formally agreed and that proposals would examine creating a separate group that would examine wider Member development across the organisation.

Members were further advised that ELDC currently operated an approach of bringing forward training through Committees or through group budgets which the Group Leader had access to for individual Members and that training was complemented by corporate training and induction programmes.

There were no further questions or comments.

Following which it was,

RESOLVED

- That the Annual Governance Statement 2023/24 and the Financial Statements 2023/24 and the Letter of Representation be approved;
- That any necessary amendments prior to the official signing of the Financial Statements be made by the Section 151 Officer;
- That the Letter of Representation be signed by the Deputy Chief Executive (Corporate Development) and Section 151 Officer on behalf of the Committee once received from KPMG, External Auditors.

79. AUDITOR'S ANNUAL REPORT FOR EAST LINDSEY DISTRICT COUNCIL - YEAR-ENDED 31 MARCH 2024:

James Boyle, External Audit Director was in attendance on behalf of KPMG, External Auditors, to present the External Auditor's Annual Report for the year-ended 31 March 2024, (pages 125 to 156 of the Agenda refer).

The purpose of the report was to provide a summary of the key findings and issues arising from work undertaken for the Council's 2023-24 audit. This included the audit of the financial statements and commentary on Value for Money (VFM) arrangements.

Members were advised that the report was required to be published on the Council's website alongside the final signed accounts for the year ended 31st March 2024.

Members were invited to put their comments and questions forward.

- A Member queried whether the Council's financial management and governance was in good order, with the exception of Invest East Lindsey Limited. In response, the External Audit Director, KPMG acknowledged this was correct.
- A Member expressed great dissatisfaction with the findings that ELDC had shown a significant weakness in the governance arrangements in relation to Invest East Lindsey Limited for the year ended 31 March 2024 and that the financial performance and position of the subsidiary had not been reported in a sufficient, appropriate or timely manner within the Governance structure throughout the year-ended 31 March 2024, page 143 of the Agenda refers.
- A Member further commented that the findings were a learning curve and that ELDC should not set up companies without the proper governance in place.
- Members supported that it should be strongly emphasised in the Minutes that the Committee was greatly concerned and disappointed with the findings in relation to Invest East Lindsey Limited.
- A Member commented that the Committee was due to receive an update from Invest East Lindsey's Supervisory Board in March 2025.
- A Member highlighted the Committee's actions from November 2023 to March 2024 to express concern and question the information that had been reported in relation to Invest East Lindsey Limited.
- A Member further referenced the Chief Executive's approval of the formal request to defer Invest East Lindsey Limited's repayment of the housing development loan.
- A Member queried the justification that the Committee had remained unaware of the decision made on deferring repayment of the housing development loans prior to the Committee's Meeting on

22nd November 2023 and highlighted that there was a gap in the Council's governance.

- A Member commented that it would be beneficial for the Portfolio Holder for Finance to attend Meetings to provide insight.

In response, the Section 151 Officer assured Members that the report coming forward to the March 2025 Meeting of Audit and Governance Committee would provide further clarification on the processes that had been followed for decisions that had occurred.

- The Chairman expressed dissatisfaction that the information had not been previously provided to the Committee. In response, the Section 151 Officer explained to Members that regular Treasury reports had included a variety of information alongside shareholder reports and reports that were presented to the Executive Board. The Section 151 Officer assured Members that it was necessary to ensure that there was sufficient detail in all reports to allay Members' concerns.
- A Member supported the need for clarity on the issue and highlighted the efforts of the Committee to continue to ask questions on behalf of taxpayers.
- A Member commented that issues frequently raised by the External Auditors highlighted a significant problem and that the Committee needed to see that actions had been followed up.

There were no further questions or comments.

Following which it was,

RESOLVED

That the Auditor's Annual Report be noted.

80. YEAR END REPORT TO THE AUDIT & GOVERNANCE COMMITTEE - YEAR ENDED 31 MARCH 2024:

James Boyle, External Audit Director was in attendance on behalf of KPMG, External Auditors, to present the Year End Report to the Audit and Governance Committee for the year-ended 31 March 2024, (pages 157 to 196 of the Agenda refer).

Members were advised that the report had been prepared for the Audit and Governance Committee in order to communicate matters that were significant to the responsibility of those charged with oversight of the financial reporting process and other matters considered of interest and that the report summarised the key issues identified during the audit for the year ended 31 March 2024.

The External Audit Director advised Members that the audit process was now complete, and that signoff would occur in advance of the statutory deadline of 28th February 2025.

Members were invited to put their comments and questions forward.

- The Chairman queried the absence of an officer response and due date in relation to the Value for Money (VFM) recommendations for Invest East Lindsey Limited, page 145 of the Agenda refers. In response, the External Audit Director advised Members that the missing information was related to the timing of the report and that when the document was finalised it would be updated with the officer responses.
- A Member expressed strong disappointment that lessons had not been learned and put into practice in relation to Invest East Lindsey Limited and that a significant weakness had been identified in the Council's governance structure.
- A Member commented that findings in relation to Invest East Lindsey Limited had been detrimental to an otherwise outstanding financial report and that similar failings should not be allowed to reoccur.

The Chairman clarified that the decision to establish Invest East Lindsey Limited had been agreed by Full Council and that Members had not been aware of specific details such as only one signatory on the bank account.

- A Member commented on best practice recommended by the Local Government Association (LGA) and stressed the need to ensure that companies such as Invest East Lindsey Limited had qualified company secretaries in place that were fully trained and had full understanding of the issues.

In response, the Section 151 Officer provided assurance that the Council had carried out an exercise of reviewing Chartered Institute of Public Finance and Accountancy (CIPFA) best practice and that the Policy and Scrutiny Officer had reviewed the information and created a plan of actions that needed addressing.

Members were further advised that there had been a number of audit reports since 2021/22 to address Members' concerns and that a clear understanding of arrangements in place was expected for the next Meeting of the Committee.

- A Member queried whether a report on Invest East Lindsey Limited report was being presented to Executive Board or Full Council. In response, the Section 151 Officer explained to Members that a Scrutiny Panel Report was presented to the Audit and Governance Committee and to Full Council in 2024.

There were no further questions or comments.

Following which it was,

RESOLVED

That the Year End Report be noted.

81. DATE OF NEXT MEETING:

The programmed date for the next Meeting of this Committee was noted as Wednesday 26th March 2025.

The meeting closed at 10.50 am.