



To be submitted to the Council at its meeting on 20th March 2025

SPECIAL AUDIT AND GOVERNANCE COMMITTEE

13th February 2025 at 10.30am.

Present: Mr. T. Render (in the Chair)

Councillors Aisthorpe, Boyd, Holland, Mickleburgh, Patrick, Shutt and Silvester.

Mr W. Leschenko (Second Independent Member)

Officers in attendance:

- Richard Dowson (Head of Project Management, Environment Economy and Infrastructure)
- Peter Hanmer (Head of Audit and Assurance)
- Guy Lonsdale (Assistant Director, Finance and Deputy Section 151 Officer)
- Jo Paterson (Scrutiny and Committee Advisor)
- Eve Richardson Smith (Service Manager - Consultancy Law and Governance)
- Caroline Wilson (Strategic Lead, Risk and Assurance)

Also in attendance:

- Councillor Harness (Portfolio Holder for Finance, Assets and Resources)
- Mark Surridge (Director, Mazars)

AC.45 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councilor Hasthorpe for this meeting.

AC.46 DECLARATIONS OF INTEREST

There were no declarations of interest made with regard to any items on the agenda for this meeting.

AC.47 EXTERNAL AUDIT COMPLETION REPORT

The committee received the external audit completion report, setting out the conclusions and significant findings from the audit of the council's financial

statements for the year ended 31 March 2024.

Mr Surridge explained the reason for the late circulation of the completion report which was due to the pressing deadline of 28th February. Mr Surridge referred to the four key areas of responsibility as set out within the report summary and reported that although there were no significant issues arising, they were aware of the challenges within Children's Services. In addition, he referred to the status of their audit, highlighting work that they needed still to complete. He further referred to the audit approach and significant findings and risks.

Members asked about transformation funding on capital receipts and whether this could be set out in a much simpler way. Mr Surridge would take this forward with Mr Lonsdale.

Mr Surridge referred to the internal control conclusions noting that two internal control recommendations had been raised. He also referred to the adjusted misstatements and VFM (Value For Money) arrangements as detailed within the report. He referred to the identified significant weakness in Children's Services, noting that triggers were in place for these, and this was reflected in their commentary.

Members were concerned over the Children's Services inspection rating and hoped this would improve. Members wished to understand how the inspection rating affected how the services were judged within the completion report.

The Chair noted that although this was not accounted for within the 2023-24 accounts it would be referred to in the 2024-25 accounts. Mr Surridge stated that an Ofsted Rating that was adequate would be helpful when preparing their completion report. Overall, there were no new significant weaknesses in the arrangements.

Mr Leshenko felt that the inadequate Ofsted rating should feature on the risk register as it was clearly something that needed to be closely monitored.

RESOLVED- That the report be noted.

AC.48 STATEMENT OF ACCOUNTS

The committee received a report from the Executive Director for Place and Resources seeking approval of the Council's audited annual accounts.

Mr Hanmer briefly referred to the AGS (Annual Governance Statement) which accompanied the accounts. He informed that now that the External Audit had now provided the opinion on the accounts and the VFM arrangements, the final version of the AGS needed to be updated to reflect this prior to sign off by the Leader and Chief Executive.

The Chair asked that fraud be referenced within the management response to the external audit in future. Mr Lonsdale would make these changes as appropriate.

Overall, the committee felt the accounts presented a good overall picture of where the Council was currently.

A member asked for the reason for the reduction in employee benefits changes as part of the pension valuations. Mr Lonsdale explained that the figure was assessed by East Riding Pension Fund Actuary noting that this had also been reviewed by the external auditors. He explained the two main elements that related to employee benefits and how the figures were arrived at.

Under the Notes to the Accounts, a member referred to the number of compulsory redundancies asking which directorate these related to. Mr Lonsdale would provide the information to the member outside of the meeting.

Reference was made to the pie chart shown within the financial performance section of the narrative statement which detailed where the money was spent. It was noted that in total 67% was spent on Children and Adults Services alone and the reason for this. Mr Lonsdale explained that there had been a significant change on the Council's spend profile over the past few years, with some of that spend being funded from external grants and also an increase in spend due to additional demand and market conditions.

A member referred to the capital investment noting that at the year-end for external borrowing the Council was down by £9.3m. Mr Lonsdale confirmed the proposed qualified value for money judgement did not impact the Council's ability to borrow.

Mr Leshenko asked whether the Council had a policy or strategy to manage its pensions and minimize its costs, noting this was quite a complex area and there were a number of pensions to manage. Mr Lonsdale acknowledged this was a broad area to cover and suggested a specific session be arranged with members around pension schemes and internal controls given this was a highly regulated area.

RESOLVED –

1. That the Annual Governance Statement for 2023/2024 be recommended for sign off by Chief Executive and Leader subject to updated wording to reflect the External Auditor's opinion on the statement of the accounts and the value for money opinion.
2. That the Statement of Accounts for 2023/2024 be approved.
3. That the Management's response to external audit's (Mazars) request for information be noted.
4. That the updated Going Concern Assessment be noted.

AC.49 GOVERNANCE AND INTERNAL CONTROL IN MAJOR DEVELOPMENT PROJECTS

The Committee received a presentation on the above. The presentation focused on the following: -

- The governance practices used for major council projects.
- Background and drive for growth in projects.
- Governance process and internal processes used to start capital projects.
- How formal business cases were being developed.
- The journey and role of project management.
- How some of the Council's projects had been delivered i.e. Equans, depot rationalisation.

Members raised a number of questions below: -

- Under the Place Strategy Co-ordination Group members asked about the Greater Grimsby Board and where this sat. It was confirmed that the council was widening its representation on this board and further details would come back to members in due course.
- In terms of approval for capital funding, members asked what oversight there was for specific funds i.e. business user groups.
- A Member asked about the Depot Project Board and why this was a different colour code. It was noted that this was due to this project board having been set up differently to other project boards.
- Under Project Management, members asked about the three proposed new schools and how were these going to be managed. It was confirmed that these sat under the delivery arm.
- Members were aware that all schools now had to be academies and asked who was accountable in terms of overspends. Mr Dowson would confirm and report back to members outside of the meeting.
- A member asked about where Stakeholder Management Plans were used. It was confirmed that each project had its own Stakeholder Liaison Group, and the team worked closely with the communications team.
- In terms of the different projects what standard had the Council adopted and how did they ensure projects were completed to an industry standard. It was confirmed most if not all projects were delivered by the centralised project team within the Council.
- How were any changes made to schemes once they had been through the BDG (Business Development Group).

- Members asked how cost control was managed. Mr Dowson confirmed he worked closely with colleagues in finance to review finance cases and to undertake risk assessments. They also undertook different levels of contingency testing for high-risk projects, overall, there was a great degree of critical challenge through the BDG to deliver in set budget envelopes.
- Members asked if the contingencies were adequate. This was about learning from different projects to ensure risk assessment contingencies were consistent.

RESOLVED – That the presentation be noted.

AC.50 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED – That the press and public be requested to leave on the grounds that discussion of the following business was likely to disclose exempt information within paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

AC.51 STRATEGIC RISK REGISTER AND RISK MANAGEMENT UPDATE

The Committee considered a report from the Executive Director for Place and Resources providing the Strategic Risk Register as of 31 January 2025 and an update on the Council's operational risks.

Ms Wilson summarised some of the changes within the Strategic Risk Register. Members were given the opportunity to seek clarification on some of the risks, further to which assurance and responses were provided by officers.

RESOLVED

1. That the strategic risks identified on the Strategic Risk Register be noted.
2. That the issues raised by the committee under the Risk Register be taken forward by the Head of Audit and Assurance and the Strategic Lead (Risk and Governance) with senior management.

There being no further business, the Chair declared the meeting closed at 12.38 p.m.