



AUDIT AND GOVERNANCE COMMITTEE

29th January 2026 at 10.30am.

Present: Mr. P. Stone (in the Chair)

Councillor's Beasant, Boyd, Holland, Kaczmarek, Patrick and Shutt
(substitute for Mickleburgh).

Mr. W. Leschenko (Independent Member)

Officers in attendance:

- Gavin Barker (Audit Director, Mazars)
- Peter Hanmer (Head of Audit and Assurance)
- Simon Jones (Assistant Director Law and Governance)
- Guy Lonsdale (Section 151 Officer)
- Jo Paterson (Scrutiny and Committee Advisor)
- Caroline Wilson (Strategic Lead – Risk and Assurance)

Also in attendance:

- Councillor Harness (Portfolio Holder for Finance, Assets and Resources)

AC.37 APOLOGIES FOR ABSENCE

Apologies for absence were received for this meeting from Councillors Hasthorpe, Mickleburgh and Silvester.

AC.38 DECLARATIONS OF INTEREST

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

AC.39 MINUTES

RESOLVED – That the minutes of the Audit and Governance Committee meetings held on 23rd October and 6th November 2025 be approved as a correct record.

AC.40 TRACKING OF RECOMMENDATIONS

The committee considered a report from the Assistant Director Policy, Strategy and Resources on tracking of recommendations of the Audit and Governance Committee.

At AC.34, Internal Audit Update, it was noted that the Internal Audit Update was a standing item on agendas and therefore could be removed from the tracking document.

RESOLVED –

1. That the report be noted.
2. That AC.34, Internal Audit Update, be removed from the tracking document.

AC.41 CODE OF GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2024-25 UPDATE

The committee considered a report from Assistant Director Law and Governance on a revised Code of Governance which took account of any changes to the council's governance arrangements since it was previously approved in January 2025.

Mr. Hanmer set out the background to the report and highlighted some key areas for consideration.

Mr. Leschenko asked what evidence there was to demonstrate that this document was live and being used effectively. Mr. Hanmer noted that the audit plans included a cyclical programme which looked at the reasons within the code. In terms of how this was embedded across the council, it did not necessarily get the publicity it needed but Mr. Hanmer regularly made Assistant Directors and Heads of Service aware of the document.

Mr. Jones advised that the document had been well rehearsed and had been through both the council's Corporate Governance Group and the Assurance Board. Mr. Hanmer added that the Annual Governance Statement (AGS) provided the necessary assurance.

A member referred to procurement and contract management within the report and in particular Corporation Road Bridge, noting that the appropriate scrutiny panel would be kept updated on projects and wished to understand why some financial information had not been made public.

Mr Jones advised that the Corporation Road Bridge issue was currently subject to legally privileged discussions, so only very limited information could be shared with council members at this stage. The scrutiny panel was being updated where appropriate, and all spending to date was publicly available on the council's website.

A member felt there had been clear governance failings around Corporation

Road Bridge. The member proposed that a working group be held to look at the management of those failings, and risk aspects. This proposal was duly seconded. Mr. Jones reminded members that this would have to be administered accordingly to manage the various sensitivities around it.

The Chair considered it important to be clear within the working group's terms of reference what it was hoping to achieve. A member asked that the terms of reference come back to the Audit Committee in due course.

Members asked when an outcome might be expected for the Corporation Road Bridge project. Mr. Jones explained he could not provide any timescales at this stage.

Mr. Leschenko asked how this authority captured those lessons learnt and how it ensured it fed this into the start of the process. Mr. Lonsdale advised that one of the controls within the council's governance framework was the Business Development Group, which was where capital projects and investments came through. Also, the Post Project Appraisal Reviews helped identify where lessons were learnt.

Members asked where the Health and Wellbeing Strategy had been referenced within the report, noting there was no mention of Marmot in the wider document, and asked how this was going to change the way the council fundamentally worked. Mr. Hanmer advised that it was the role of this committee to review and approve it and he would feed this back to the Director of Public Health and request that a narrative was provided to be included in the code.

RESOLVED –

1. That the updated Code of Governance be approved for inclusion in the Council's Constitution, subject to additional comments being added around the Marmot Principles.
2. That the actions taken in response to the areas of focus raised in the 2024-25 Annual Governance Statement be noted.
3. That a Working Group be convened to look at the governance arrangements around the Corporation Road Bridge Project, with terms of reference being prepared in conjunction with the Chair and returned to this committee for final sign off.

AC.42 STATEMENT OF ACCOUNTS AND ACCOUNTING POLICIES

The committee considered a report from the Interim Section 151 Officer seeking approval of the accounting policies to be used in completing the 2025/2026 Statement of Accounts. Mr. Lonsdale set out the background to the report and highlighted the key areas for consideration.

A member asked about the employer contribution reduction to the Local Government Pension Scheme and what would happen with the money that

was overdue.

Mr. Lonsdale advised that employer pension contributions for North East Lincolnshire Council would drop from 1st April 2026, reflecting the scheme's strong funding position (130% last year). He advised that many LGPS funds were in surplus, but actuaries remained cautious due to valuations swinging sharply with changes in investment returns, economic conditions, mortality trends, discount rates and future pay assumptions.

A member asked what the percentage reduction would be. Mr. Lonsdale advised it would be a 5% reduction in the employer contribution rates. Another member asked if the council invested heavily in any assets, who owned them and how this was reflected in the accounts. Mr. Lonsdale stated that this was not something that they captured through accounting policies.

Mr. Leschenko was aware that East Riding administered the council's pension fund, with oversight through its local pension board and strong investment returns of around 7–8% over the past three years, which were built into the independent actuary's modelling, thereby setting the council's contribution rate. The council had no influence over this process; and understood the goal was simply to keep the funds sustainable.

Mr. Lonsdale explained that savings from reduced employer pension contributions flowed back into the council's overall budget and were built into the Medium-Term Financial Plan (MTFP). He assured the committee that the council stayed in regular dialogue with actuaries, who took a long-term view to keep contributions stable. Significant changes in employer contributions were not expected, and the council did not set money aside separately for this. Overall, the reduction in contributions was due to changes in economic conditions.

RESOLVED – That the accounting policies to be used in completing the 2025/26 Statement of Accounts, as set out in Appendix 1 of the report now submitted, be approved.

AC.43 INTERNAL AUDIT INTERIM REPORT

The committee received a report from the Head of Internal Audit which summarised the results of Internal Audit work in relation to the 2025/26 Internal Audit Plan up to 31 December 2025.

Mr. Hanmer set out the background to report and highlighted the key areas for consideration. Mr. Hanmer reported that a key issue was ensuring audit actions were fully implemented and evidenced in the tracking system. Outstanding actions had reduced, helped by support from leadership and better monitoring. He also stressed the value of its advisory work and the recent update to the Guide to Internal Control.

A member asked whether the Guide to Internal control went on the council's website or whether any communications were sent out. Mr. Hanmer confirmed that it would be promoted on the council's intranet, he would be sending communications to Assistant Directors and Heads of Service, and that the

Interim Chief Executive would also be including this within her communications.

A member raised concerns about charge card misuse, questioning whether individuals might use cards for personal benefit. Mr. Hanmer noted that the outcome of the audit had been discussed at the meeting of this committee in November 2025. He confirmed that the audit did not identify any examples of potential fraudulent misuse and the main issue was that processes were not being followed. He also noted that a follow up audit would be carried out in February 2026.

Mr. Lonsdale added that the issue related to missing receipts for certain credit-card transactions. Without receipts, the council could not reclaim VAT, resulting in small losses of income on a limited number of purchases.

A member asked whether the shared service with North Lincolnshire Council had been positive in terms of resourcing. Mr. Hanmer advised there was still a shared arrangement with North Lincolnshire Council for risk management and fraud. Whilst there were costs involved, the audit partnership had delivered some economies of scale. From 2026–27 onward there may be a small resourcing gap in relation to audit due to the loss of these economies that would need to be managed.

A member questioned whether delivering the remaining audits in five months posed any resourcing risks, and whether this could lead to some audits remaining in draft form rather than being finalised, potentially increasing the level of support needed. Mr. Hanmer considered resourcing was adequate, but the main challenge was completing audits on time, as the completion of some audits had slipped past their due dates. While this presented some risk, it was being monitored and managed.

RESOLVED – That the Internal Audit Interim Report be noted.

AC.44 FOLLOW UP LETTER TO AUDIT COMPLETION REPORT 2024/25

The committee received the external auditor's Follow Up Letter to the Audit Completion Report 2024/25.

The external auditors highlighted within their report other areas of work which related to an overstatement of Pension Fund assets and some other relatively minor issues to report, including two further unadjusted misstatements.

Members had no comments or queries and complimented external auditors on a thorough report.

The external auditors wished to formally thank Claire Swainson and Lucy Mayall in the Finance team for their hard work on assisting with the audit completion report. Mr. Lonsdale advised that he would forward this onto his team.

RESOLVED – That the report be noted.

AC.45 AUDITOR'S ANNUAL REPORT 2024/25

The committee received the external auditor's Annual Report 2024/25

Mr. Barker advised that the report was received in draft before the end of November 2025, with the final version issued on 22 December. He wished to highlight that the audit certificate had not yet been completed.

A member raised concerns under the Value for Money (VFM) arrangements section within the report, notably the size of the Dedicated Schools Grant (DSG) deficit and how the council planned to address it. The member understood the council was working with partners to develop a mitigation plan and asked whether any other local authorities had successfully produced and implemented such a plan.

Mr. Lonsdale explained that the council was working with key partners including the Department for Education, local schools and academies, parents, and other public sector bodies to address the DSG deficit. Many other local authorities were in a similar position and were having the same discussions. There was no simple solution, and progress depended heavily on a government announcement expected in February, which would shape future funding and the approach to resolving the deficit.

A member felt the committee should receive regular updates on this issue. Officers advised that a further update could be provided at the April Audit committee meeting.

RESOLVED – That the report be noted.

AC.46 TREASURY MANAGEMENT POLICY AND STRATEGY STATEMENT 2026-27

The committee considered a report from the Interim Section 151 Officer which presented the restated Treasury Policy Statement and the Treasury Management Strategy Statement (TMSS).

Mr. Lonsdale set out the background to the report and highlighted the key areas for consideration.

A member asked about the liquidity risk issue earlier in the financial year, specifically whether the council had to take an emergency short-term loan to cover a temporary funding shortfall. Officers advised that the dip in cash balances was described as a technical cash-flow management issue, rather than an emergency caused by financial mismanagement and learning from the incident had been fed back to the service.

A member asked about the significant borrowing requirements generated by the forecast Capital Programme on top of £62m of existing loan maturities, querying whether these were short-term ones.

The council had been using short-term borrowing for some time through the inter-authority market, as covered in some earlier audit training. With the Capital Programme progressing and interest rates stabilising, the plan was to secure more long-term borrowing and reduce reliance on short-term loans. Borrowing would be staggered to avoid multiple loans maturing at once and to limit exposure to market fluctuations.

Mr Leschenko asked whether the the governance and risk approach to meeting capital expenditure requirements was reported to the Audit Committee. Mr. Lonsdale advised that an appendix within the finance budget, which went to Full Council in February, provided further detail on the council's strategy and the governance that underpinned it. Mr Lonsdale was happy to share this with Mr. Leschenko for additional clarity.

The Chair assured members that this committee would receive regular treasury management reports, including updates on cash-flow issues and that future reports would come to this committee prior to going on to Cabinet.

Mr. Lonsdale stated that reserves were monitored transparently, and any compliance issues or breaches of prudential indicators were reported, along with learning from them. Although such issues were usually minor, the council aimed to demonstrate how lessons learnt were applied.

RESOLVED

1. That the Treasury Management Policy Statement, at Appendix 1 of the report now submitted, be noted.
2. That the Treasury Management Strategy Statement and Prudential Indicators for 2026/27, at Appendix 2 of the report now submitted, be noted.
3. That the Minimum Revenue Provision Policy Statement, at Annex 2 of Appendix 2 of the report now submitted, be noted.

AC.47 2026/27 TREASURY MANAGEMENT PRACTICES

The committee considered a report from the Interim Section 151 Officer seeking approval of the Treasury Management Practices 1 and any other listed amendments to other Practices.

Mr Lonsdale set out the background to the report and highlighted some of the key areas for consideration.

Members supported the recommendations within the report.

RESOLVED – That the Treasury Management Practice 1 and any other listed

amendments to other Practices at Appendix 1 of the report now submitted be approved.

AC.48 PARTNERSHIP PROTOCOL: 2026 REVIEW

The committee considered a report from the Assistant Director Law and Governance seeking approval of the refreshed Partnership Protocol.

Mr Jones noted that the protocol was well-established and reviewed every two years, with no major changes since the last version. The only amendment reflected the end of the Equans contract earlier this year. The protocol had been through the Assurance Board without challenge, save for a recommendation that further awareness-raising take place with Assistant Directors and Heads of Service. Furthermore, with the adoption of the Marmot principles, which were becoming increasingly embedded across council policy, more partnership working in health and social care may be seen in the next period.

A member asked what process was to be followed if a proposal came forward to form a partnership with this authority, and how such a request should be submitted. Mr. Jones suggested that the member advise the person to contact the relevant service lead dependent on the nature of the group.

Mr. Leschenko referred to the council's 'significant partnerships' "may" cooperate to achieve a common goal or shared objective and sought assurance that the council would not come across the same challenges it had with the section 75 partnership arrangements.

Officers advised that the issues around Section 75 arrangements were due to wider NHS reform proposals. The current setup was only a snapshot and was likely to change once the Integrated Care Board (ICB) finalised its plans. Any future proposals linked to Section 75 or joint-committee work would follow clear and transparent governance processes. Mr. Jones noted that the protocol was intended to capture a general approach to partnership work.

Another member commented on findings from a recent Care Quality Commission review around governance and contract monitoring across Health and Adult Social Care (ASC). Mr. Jones reassured the member that ASC was now recognised within the protocol and understood further work was taking place.

Reference was made to managing relationships with partners, a member asked what the council was doing to manage the actual contract. Mr. Jones was confident that the council could strengthen its scrutiny function, particularly around performance, and suggested developing clearer key performance indicators to support this.

Another member sought clarification around expectations on partners to pay staff the National Living Wage. Mr. Jones responded that there may be provision in the published Pay Policy and that the Partnership Protocol would be further updated to reflect this.

RESOLVED –

1. That, subject to the above comment around National Living Wage, the refreshed Partnership Protocol for 2026 be approved.
2. That the comments made by the committee be noted.

AC.49 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.50 ISSUES FOR DISCUSSION WITH THE INTERNAL AND EXTERNAL AUDITORS

There were no issues for discussion with the external auditors.

There being no further business, the Chair declared the meeting closed at 12.39pm.