Chelmsford City Council

16th July 2025

Audit and Risk Committee Annual Report 2024/25

Report by:
Audit and Risk Committee

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Purpose

This report summarises the work that the Audit and Risk Committee has undertaken during 2024/25 in line with CIPFA's Position Statement for Audit Committees 2022.

Recommendations

The Council is requested to note the content of the 2024/25 Annual Report of the Committee.

1. Introduction

1.1. Audit Committees are a key component of the Council's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The Committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

1.2. In Chelmsford, the Audit and Risk Committee has been delegated governance responsibilities but remains accountable to Full Council. The Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

1.3. The CIPFA Position Statement for Audit Committees 2022 outlines the core functions of the Audit Committee and advises how Audit Committees should demonstrate their independence and effectiveness. Part of this includes reporting regularly on their work, and at least annually reporting an assessment of their performance.

2. Conclusion

The Audit and Risk Committee Annual Report 2024/25 is attached for Committee to note and agree.

List of appendices: Appendix 1 - Audit and Risk Committee Annual Report 2024/25

Background papers: None

Corporate Implications

Legal/Constitutional:
The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015). Various guidance emphasises the importance of the Audit Committee, including:

- Delivering Good Governance in Local Government: Framework
- Public Sector Internal Audit Standards
- the Code of Practice on Managing the Risk of Fraud and Corruption.

Financial:
Failure to have appropriate risk management arrangements puts the Council financial management in a weakened position and therefore increases the risk of failing to deliver Our Chelmsford Our Plan.

Potential impact on climate change and the environment:
None

Contribution toward achieving a net zero carbon position by 2030:
None

Personnel:
None

Risk Management:
The role of the Audit and Risk Committee in relation to risk management covers: assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks; keeping up to date with the risk profile and the effectiveness of risk management actions and; monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.

Equality and Diversity:
None

Health and Safety:
None

Digital:
None

Other:
None

Consultees: Councillor Walsh, Chair of the Audit and Risk Committee

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Relevant Policies and Strategies: None

Audit and Risk Committee Annual Report 2024-25

Introduction from the Chair of Audit and Risk Committee

I am pleased to present the Annual Report of the Audit and Risk Committee which outlines the Committee's work and achievements for 2024/25.

I hope that this Annual Report helps to demonstrate to the City's residents and the Council's other stakeholders the role that is carried out by the Audit and Risk Committee and the contribution that it makes to the Council's overall governance. All meetings are open to members of the public.

To provide ongoing assurance over the Council's risk management, governance and internal control arrangements, the Committee has been supported during 2024/25 by the Audit Services Manager, the Accountancy Services Manager (S151 Officer), the Procurement Manager, and the Public Health and Protection Services Manager, as well as service representatives on request.

I would like to express my thanks to those officers and Members who have supported the work of this Committee by presenting and discussing reports.

Cllr Nora Walsh

June 2025

1. Overview

1.1. Audit Committees are a key component of the Council's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The Committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

1.2. In Chelmsford, the Audit and Risk Committee has been delegated some governance responsibilities but remains accountable to Full Council. The Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

1.3. As outlined in CIPFA Position Statement for Audit Committees, the core functions of the Audit Committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

1.4. The specific responsibilities include:

- **Maintenance of governance, risk and control arrangements**
    - Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
    - Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
    - Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.
- **Financial and governance reporting**
    - Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
    - Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.
- **Establishing appropriate and effective arrangements for audit and assurance**
    - Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
    - In relation to the authority's internal audit functions: oversee its independence, objectivity, performance and conformance to professional standards; support effective arrangements for internal audit; promote the effective use of internal audit within the assurance framework.
    - Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk

management or control, and monitor management action in response to the issues raised by external audit.

- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

1.5. In addition to the CIPFA Position Statement for Audit Committees, various associated guidance also emphasises the importance of the Audit Committee, including:

- CIPFA's Delivering Good Governance in Local Government Framework
- The Global Internal Audit Standards (GIAS)
- CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption

2. Membership and Committee Administration

2.1. There were five meetings of the Committee during 2024/25 (July 2024 – joint with Governance Committee, September 2024, December 2024, January 2025 and February 2025). Membership of the Committee for 2024/25 is attached at Appendix A.

2.2. The work programme is based around the Committee's Terms of Reference (see Appendix C), along with any items requested during the year, and is reviewed at each Committee meeting. A list of the items that have been considered by the Committee during 2024/25 is attached at Appendix B to the report.

2.3. The Committee was supported by the Audit Services Manager, the Accountancy Services Manager (S151 Officer), the Procurement Manager, and the Public Health and Protection Services Manager.

2.4. In 2024/25, the LGA 'Introduction to Audit Committees' e-learning module was rolled out to all Audit and Risk Committee members, with all Committee Members, including independent Members, encouraged to complete it.

2.5. In line with CIPFA Guidance, a self-assessment was also issued to Audit and Risk Committee Members in March 2025. The survey was primarily based on the following good practice principles, where Audit Committees can add value and support improvement i.e.:

- Promoting the principles of good governance and their application to decision making.
- Contributing to the development of an effective control environment.
- Supporting the establishment of arrangements for the governance of risk.
- Advising on the adequacy of the assurance framework.
- Supporting effective external audit
- Supporting the quality of the internal audit activity.
- Aiding the achievement of the Council's goals and objectives.
- Supporting the development of robust arrangements for ensuring value for money.
- Helping the Council implement effective arrangements for countering fraud.
- Promoting effective public reporting to the Council's stakeholders and local community.

2.6. The self-assessment was designed to provide a high-level overview of the effectiveness of the Committee, then explore in detail how the Committee meets each of the above principles. There was also a focus on CIPFA's recommended Knowledge and Skills framework and in these questions, Members were asked to consider their own individual skills, knowledge and experience that contribute to the overall effectiveness of the Committee. Of the self-assessments completed, the results received were largely positive with feedback reflecting a well-run and organised Committee, which adds value to the Council, but with some additional training and awareness being beneficial. Officers will now consider the most appropriate method of delivery and arrange training accordingly.

2.7. The Committee operated under its Terms of Reference in line with the CIPFA Position Statement. The agendas for the Committee's meetings are published on the Council's website not later than five clear days before the date of each meeting. The minutes of each meeting are also published on the website as soon as possible after each meeting has taken place. The agendas for meetings can be accessed from: Committees and Panels - Chelmsford City Council.

3. Governance Risk and Control

Risk Management

3.1. In January 2025, the Committee received a Risk Management Report, which summarised the current position for the Council's Principal Risks and outlined proposed risk management activity for 2025/26. Members were given an overview of the work in the last year, including the review of the Council's Principal Risk Register to ensure it is up to date.

Countering Fraud and Corruption

3.2. In September 2024, the Committee received an annual Counter Fraud report updating them on the Counter Fraud Action Plan with the work undertaken since the last update in September 2023 including:

- The update of the Council's Fraud Risk Register and undertaking of a role-based Bribery and Corruption risk assessment to identify the roles in the Council most at risk of bribery and corruption.
- Production of a revised Fraud Response Plan aligned to the new Counter Fraud and Corruption Strategy, which outlines how allegations of fraud/wrongdoing should be handled and sets out the framework for escalation, investigation and reporting outcomes to ensure that issues raised are handled consistently.
- Review of the Council's Whistleblowing Policy.
- The development and roll out of training and awareness activities for staff and Members to underpin an understanding of anti-fraud and corruption responsibilities.
- Compliance with NFI and Transparency Code requirements.

4. Financial and Governance Reporting

4.1. The Audit and Risk Committee received a report from the Accountancy Services Manager in September 2024 for the Council's revenue outturn position for 2023/24, outlining the Council's expenditure and income against the approved budgets for 2023/24. The report also outlined the activity in the Council's finances, the variations identified, and the risks they involved.

4.2. The Committee also received a report which detailed the capital expenditure incurred in 2023/24 and were updated on the approved Capital Schemes and variations in cost which had been identified at outturn and to date. The report also provided an update on the approved Asset Replacement Programme for 2023/24 and 2024/25 regarding variations in cost and timing which had been identified at outturn and to date.

4.3. The Council's Annual Governance Statement (AGS) forms part of the Council's Statement of Accounts and its purpose is to provide assurance regarding the Council's governance arrangements and the extent to which the Council complies with its Local Code of Corporate Governance. The Audit and Risk Committee reviewed the Local Code of Corporate Governance and Annual Governance Statement for 2023/24 jointly with Governance Committee in July 2024. The Statement highlighted those areas of governance regarded as important in 2023/24, how they were addressed, and the progress made.

4.4. In February 2025, Committee approved the Accounting Policies which would be used in the preparation of the 2024/25 Statement of Accounts. It was advised that there were two significant changes in 2024/25 relating to 'Valuations of Council's property and land values' and 'Accounting for leases (IFRS16)'.

5. Establishing appropriate and effective arrangements for audit and assurance

Internal Audit

5.1. The original audit plan for 2024/25 was approved by Audit and Risk Committee in March 2024.

5.2. During 2024/25, Audit and Risk Committee received several reports from Internal Audit, updating them on Internal Audit progress against the plan and high-risk issues identified. This included:

- Internal Audit Annual Report 2023/24 which provided an overall annual opinion of "moderate" assurance (September 2024)
- Internal Audit Interim Report 2024/25 (January 2025)

5.3. In line with Internal Audit Standards, the Audit and Risk Committee approved the Internal Audit Strategy 2025 in January 2025 and Internal Audit Charter in February 2025.

5.4. In January 2025, the Committee were advised that new Global Internal Audit Standards would take effect from 1st April 2025 and that they enforce 15 key principles, with some relating to the role of the Audit Committee's role and functions. In February 2025, the Committee received an update on Internal Audit's readiness for the new standards.

5.5. In February 2025, the Committee also received the outcome of the External Quality Assessment for Internal Audit which was positive and that out of the 130+ standard categories there were only four low-priority recommendations.

External Audit

5.6. In September 2024, the Committee received an update from the Council's External Auditors, Ernst and Young, in which they detailed the overview of their 2023/24 audit strategy, significant audit risks, and a proposed timeline for the 2023/24 audit cycle.

5.7. In September 2024, the Committee also received the draft Statement of Accounts 2023/24 which had been published on the Council's website in May 2024. Members were advised that due to the ongoing delays in audits and changes to the deadlines for their completion, the statements were also brought to the Committee to provide an opportunity for timely consideration and review of the accounts.

5.8. Committee then received the Audit Results Report from the Council's External Auditors (EY) in February 2025 and were made aware of the areas of the accounts which had been reviewed, and that there had been no significant weaknesses identified. The auditors gave a disclaimed audit opinion, reflecting their lack of resource to complete the full audit. The draft Audit Results Report was noted by Committee and the Statement of Accounts 2023/24 was approved, following training provided prior to the meeting.

5.9. In December 2024, the Committee were asked to formally approve the Council's Statement of Accounts for 2021/22 and 2022/23. The Committee were reminded that the Council had published the accounts on time within their relevant years, but as part of the national audit backlog they had not been audited due to a lack of External Auditor resources therefore in effect, the Committee were not being provided with any assurance from the external auditors, regarding the quality or content. However, the s151 officer obtained confirmation from External Audit that the lack of assurance was in no way due to the Council.

Additional Governance and Assurance Reports to Committee

5.10. **Corporate Health and Safety Annual Report** – In September 2024, the Committee received a report updating them on Health and Safety in 2023/24. Members were informed about progress with training, accidents, performance in comparison to other years and the recent audits.

5.11. **Procurement Update** – In January 2025, the Committee received the annual procurement report summarising recent procurement activity and planned workloads. The report also provided an update on changes to Team structure and the wider legal procurement framework.

Appendix A

Membership of Audit and Risk Committee 2024/25

Councillor Nora Walsh (Chair)
Councillor Gillian Bonnett (from January 2025)
Councillor Nicola Bugbee
Councillor Hazel Clark
Councillor Natacha Dudley
Councillor Kieron Franks
Councillor James Raven
Councillor Malcolm Sismey
Councillor Andrew Sosin
Councillor Roy Whitehead (until January 2025)

Independent Persons

Chris Groves
Jeannine Hoeckx

Audit and Risk Committee Work Programme 2024/25 Appendix B

July 2024

- **Joint with Governance Committee**
    - Review of the Local Code of Corporate Governance and Annual Governance Statement 2023/24

September 2024

- External Audit Update from Ernst and Young
- Draft Statement of Accounts 2023/24
- Provisional Revenue Outturn Report 2023/24
- Capital Programme Update and Provisional Outturn 2023-24
- Health and Safety Annual Report 2023/24
- Internal Audit Annual Report 2023/24
- Counter Fraud Report 2023/24
- Audit and Risk Committee Annual Report 2023/24
- Audit and Risk Work Programme

December 2024

- Report on External Audit Completion 2021/22 and 2022/23

January 2025

- Procurement Update
- Risk Management Report
- Internal Audit Interim Report 2024/25 and Update on Global Internal Audit Standards
- Internal Audit Strategy 2025-27
- Audit and Risk Work Programme

February 2025

- Audit Results Report 2023/24
- Internal Audit Plan 2025 and Internal Audit Charter
- Internal Audit External Quality Assessment and Global Internal Audit Standards Readiness Assessment Update
- Account Policies for the 2024/25 Statement of Accounts
- Audit and Risk Work Programme

Appendix C

Audit and Risk Committee

Terms of Reference

Statement of Purpose

Our Audit and Risk Committee is a key component of Chelmsford City Council's corporate governance. It provides an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

1. To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
2. To monitor the effective development and operation of risk management in the council.
3. To monitor progress in addressing risk-related issues reported to the committee.
4. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
5. To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
6. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
7. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
8. To monitor the counter fraud strategy, actions and resources.
9. To review the governance and assurance arrangements for significant partnerships or collaborations.

Governance reporting

10. To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
11. To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

Financial reporting

12. To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
13. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns

arising from the financial statements or from the audit that need to be brought to the attention of the council.

14. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Arrangements for audit and assurance

15. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

External audit

16. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
17. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
18. To consider specific reports as agreed with the external auditor.
19. To comment on the scope and depth of external audit work and to ensure it gives value for money.
20. To consider additional commissions of work from external audit.
21. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies
22. To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

23. To approve the internal audit charter.
24. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
25. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
26. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
27. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
28. To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
29. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
    - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
    - regular reports on the results of the QAIP

- reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.

30. To consider the head of internal audit's annual report, including:
    - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
    - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
31. To consider summaries of specific internal audit reports as requested.
32. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
33. To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
34. To consider a report on the effectiveness of internal audit to support the AGS as required to do so by the accounts and audit regulations.
35. To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

36. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
37. To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
38. To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.