Chelmsford City Council

15th July 2026

Audit and Risk Committee Annual Report 2025/26

Report by:
Audit and Risk Committee

Officer Contact:
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Purpose

This report summarises the work that the Audit and Risk Committee has undertaken during 2025/26 in line with CIPFA's Position Statement for Audit Committees 2022.

Recommendations

The Council is requested to note the content of the 2025/26 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 2025/26 is attached for Committee to note and agree.

List of appendices: Appendix 1 - Audit and Risk Committee Annual Report 2025/26

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 2025/26

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 2025/26.

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 2025/26 by the Audit Services Manager, the Financial Services Manager (S151 Officer), the Procurement Manager, the Public Health and Protection Services Manager, as well as representatives from the Council's External Auditors, Ernst and Young.

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 2026

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 2025/26 (June 2025 – joint with Governance Committee, September 2025, November 2025, January 2026 and March 2026). Membership of the Committee for 2025/26 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 2025/26 is attached at Appendix B to the report.

2.3. The Committee was supported by the Audit Services Manager, the Financial Services Manager (S151 Officer), the Procurement Manager, and the Public Health and Protection Services Manager, as well as representatives from the Council's External Auditors, Ernst and Young.

2.4. 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 September 2025, the Committee received a report from the Audit Services Manager providing an update on corporate risk management and the Principal Risk Register. It was explained that responsibility for corporate risk had moved to the Audit Services Manager earlier in 2025, and since then work had been undertaken to establish how best to manage the function with limited resources. To support resilience, the service was now working in partnership with Basildon Council, with their Risk Manager assisting Chelmsford.

3.2. A full update of the Principal Risk Register had been completed, which formed the central element of the Council's risk management framework and provided

oversight of key risks. Other areas of activity included an update to the risk management framework, early development of a Local Government Reorganisation risk register, and the preparation of a new Risk Management Strategy.

3.3. In March 2026, the Committee received its second bi-annual Risk Management Report, which provided an overview of the Council's Principal Risks and reflected the latest update carried out in January 2026 to ensure the register remained aligned with the current risk profile.

Countering Fraud and Corruption

3.4. In June 2025, the Committee received a report summarising the counter fraud work undertaken by the Internal Audit Team during 2024/25, including work on Guidance, Training and Awareness for staff and Councillors and compliance with the National Fraud Initiative and Transparency Code. The Committee were also informed about how the Council managed the risk of fraud and information on the Council's Whistleblowing policy.

3.5. The Committee were also updated on a new criminal offence of 'Failure to prevent Fraud' which became effective from September 2025, which is designed to hold organisations to account if they profited from fraud committed by their employees. It was noted that this was an important area for the Council to monitor closely going forward and that actions taken by the Council within the Counter Fraud strategy had provided a good basis for meeting the requirements to defend the new offence. It was also noted that these would continue to be reviewed and monitored in line with the new legislation.

3.6. In November 2025, the Committee received the updated the Counter Fraud and Corruption Policy and Strategy 2025 aimed to minimise the risk of fraud and corruption and its impact and set out the measures the Council had in place to comply with the Failure to Prevent Fraud legislation. The policy is based on best practice guidance, including Fighting Fraud and Corruption Locally and the CIPFA Code of Practice, and incorporated prevention measures for bribery and corruption. The accompanying strategy outlined actions to be delivered over the next two years, including updates to training and the use of technology and artificial intelligence to strengthen fraud prevention and detection.

4. Financial and Governance Reporting

4.1. The Audit and Risk Committee received a report from the Financial Services Manager in June 2025 for the Council's revenue outturn position for 2024/25, outlining the Council's expenditure and income against the approved budgets for 2024/25. 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 2024/25 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 2024/25 and 2025/26 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 2024/25 jointly with Governance Committee in June 2025. The Statement highlighted those areas of governance regarded as important in 2024/25, how they were addressed, and the progress made.

4.4. In March 2026, Committee approved the Accounting Policies which would be used in the preparation of the 2025/26 Statement of Accounts. It was advised that one key change had been introduced relating to the valuation of property, plant and equipment.

5. Establishing appropriate and effective arrangements for audit and assurance

Internal Audit

5.1. The original audit plan for 2025/26 was approved by Audit and Risk Committee in February 2025. An update was provided in September 2025 setting out the reviews proposed from October 2025 to March 2026.

5.2. During 2025/26, 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 2024/25 which provided an overall annual opinion of “moderate” assurance (June 2025)
- Internal Audit Interim Report 2025/26 (January 2026)

5.3. In line with Internal Audit Standards, the Audit and Risk Committee approved the Internal Audit Charter in March 2026.

External Audit

5.4. In June 2025, the Committee received an update from the Council’s External Auditors, Ernst and Young, which included their annual report for 2023/24 and Provisional Audit Planning Report for 2024/25.

5.5. In September 2025, the Committee received an update from the Section 151 Officer updating Members on progress with prior year external audits and progress made against the 2024/25 audit. The 2023/24 audit, though a disclaimed opinion by EY, had been fully signed off. A discussion around External Audit fees and the proposals for clearing the historic backlog was also undertaken.

5.6. In November 2025, the Committee received an update from EY on the draft Auditor’s Annual Report for 2024/25. Members were advised that the report was required to be issued by the end of November and provided commentary on the Council’s arrangements for securing value for money and progress on the audit of the financial statements. It was reported that the audit work was substantially complete and that the final version of the report was expected before Christmas, with the audit certificate to follow once the ‘Whole of Government Accounts’ procedures had been concluded.

5.7. In January 2026, the Committee received the Audit Results Report for 2024/25, together with verbal updates from the Section 151 Officer and EY. Members were advised that although substantial work had been completed, the external audit could not be finalised before the statutory backstop date, so a disclaimed audit opinion was to be issued. This position reflected the national backlog in local government audits and the historic lack of assurance over opening balances

arising from previous years' disclaimed opinions. EY reported that no significant weaknesses or material errors had been identified in the areas reviewed. The Annual Governance Statement was considered consistent with EY's understanding of the Council, and no significant weaknesses had been identified in the value-for-money arrangements. Assurance gaps remained in areas such as PPE valuations, reserves, debtor and creditor listings, and journal testing, largely due to capacity constraints and systemic issues carried forward from prior years.

5.8. In March 2026, under Urgent Business, Section 151 Officer provided an update on the external audit position. Members were advised that Council was required to agree with the disclaimed opinion to avoid missing the national backstop deadline.

Additional Governance and Assurance Reports to Committee

5.9. **Corporate Health and Safety Annual Report** – In September 2025, the Committee received a report updating them on Health and Safety in 2024/25. Members were informed about progress with training, accidents, performance in comparison to other years and the recent audits.

5.10. **Procurement Update** – In January 2026, the Committee received the annual procurement report summarising recent procurement activity, key achievements, legislative updates and planned workloads. Members noted the implementation of the Procurement Act 2023, with procedures, documentation and training updated in line with the new requirements and several procurements already delivered under the new regime. Additional transparency and reporting duties would come into effect from 2026.

Membership of Audit and Risk Committee 2025/26

Councillor Nora Walsh (Chair)
Councillor Gillian Bonnett
Councillor Hazel Clark
Councillor Natacha Dudley
Councillor Smita Rajesh
Councillor James Raven
Councillor Malcolm Sismey
Councillor Andrew Sosin

Independent Persons

Chris Groves
Jeannine Hoeckx

Audit and Risk Committee Work Programme 2025/26

Appendix B

June 2025

- **Joint with Governance Committee**
    - Review of the Local Code of Corporate Governance and Annual Governance Statement 2024/25
- **Audit & Risk Committee**
    - External Audit Update
    - Provisional Revenue Outturn Report 2024/25
    - Capital Programme Update and Provisional Outturn 2024/25
    - Internal Audit Annual Report 2024/25
    - Counter Fraud Report 2024/25
    - Audit and Risk Committee Annual Report 2024/25
    - Audit and Risk Work Programme

September 2025

- External Audit Update
- Updated Internal Audit Plan 2025/26
- Risk Management Report
- Annual Health and Safety Report 2024/25
- Audit and Risk Work Programme

November 2025

- External Audit - Draft Auditor's Annual Report for financial year ended 31 March 2025
- Counter Fraud and Corruption Policy and Strategy 2025-27
- Audit and Risk Work Programme

January 2026

- External Audit – Audit Results Report – Auditors Annual Report and Accounts
- Internal Audit Interim Report 2025/26
- Procurement Update
- Audit and Risk Work Programme

March 2026

- Internal Audit Plan 2026 and Internal Audit Charter
- Risk Management Report
- Account Policies for the 2025/26 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.