

**MINUTES OF THE
AUDIT AND RISK COMMITTEE**
held on 11 June 2025 at 7.15pm

Present:

Councillor N. Walsh (Chair)

Councillors, G. Bonnett, H. Clark, N. Dudley, S. Rajesh, J. Raven and A. Sosin

Independent Persons –
Mr C Groves
Ms J Hoeckx

1. Apologies for Absence and Substitutions

No apologies for absence were received.

2. Minutes

The minutes of the meeting on 26 February 2025 were confirmed as a correct record.

3. Declarations of Interests

All Members were reminded to disclose any interests in items of business on the meeting's agenda and that they should do so at this point on the agenda or as soon as they became aware of the interest. They were also obliged to notify the Monitoring Officer of the interest within 28 days of the meeting if they had not been previously notified. None were made.

4. Public Questions

There were no questions or statements from members of the public.

5. Announcements

No announcements were made.

6. External Audit Update

The Committee received an update from Ernst & Young, the Council's External Auditors that included the their Annual report for 2023/24 and Provisional Audit Planning Report for 2024/25. The Committee were informed that the annual report included the commentary on Value for Money arrangements for Chelmsford City Council, alongside explaining the work they had undertaken during the year and highlighted any significant weaknesses identified, along with recommendations for improvement.

The Committee were informed that a disclaimed audit opinion had been issued, due to the disclaimers of opinion on prior years, and the limited time between the backstop dates. The Committee also heard that the value for money element of the Audit had been completed with no significant matters to report, after looking at various budget processes and projects, which was detailed in Section 3 of the report.

The Committee were also provided with details on the Provisional Audit Planning Report for 2024/25. It was noted that due to the backlogs a disclaimed opinion was expected again in 2024/25 and guidance that had recently been issued on rebuilding assurances was going to be looked at by EY soon. It was also noted that similar risks had been identified to the previous year, in addition to a new risk for the implementation of IFRS 16. The Committee were also informed that the VFM work for the 24/25 audit had not yet been completed, but was near to being completed and the details would be included in the auditors annual report before the end of November, in line with the updated code.

In response to questions and comments from the Committee, the External Auditors noted that;

- The VFM work would definitely be completed by 30th November due to the updated code and would be reported to the Committee accordingly.
- New Auditing standards had been introduced after the fees had been set by PSAA leading to additional costs for the audit.
- Extra work had been required due to previous disclaimed audit opinions to assist with property valuations.
- PSAA who manage nationally the external audit contracts would review the proposed audit charges and the cost to the authority could reduce from those shown in the report.
- Work had not been duplicated on auditing the pension fund as additional work was required compared to the Audit carried out for Essex County Council on the pension fund and therefore specialists had to be engaged.
- Due to Local Government Reorganisation, work on the financial resilience of Council's and whether budget problems could be managed, would be covered in the earlier than normal VFM work to assist Council's.

RESOLVED that the update and reports be noted.

(7.16pm to 7.33pm)

7. Provisional Revenue Outturn Report 24/25

The Committee received a report of 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. Members were advised that the revenue budget was divided into service budgets, non-service budgets and reserve use.

Members were advised that the overall position for 24/25 had resulted in an improvement in the expected General Fund reserve position, which was £3.89m better off than the 2024/25 original budget and £2.5m better when measured against the 2025/26 budget assumption. The Committee heard that there had been an underspend of £1.6m on Net Service level budgets, predominantly due to additional income, alongside an favourable variance of £3.9m on Non-service level budgets, predominantly due to the following, a one-off gain of £1m from the disposal of the Councils investment in the CCLA property fund, additional interest (£0.8m), additional income from business rates and associated grant (£1.2m). The Committee were also informed of a reduced use of earmarked reserves of £1.7m and noted that the appendices to the report contained further details on the Council's revenue position, which was provisional and still subject to external audit.

The Committee noted that the revenue position showed an improvement, with some net gains already reflected in 25/26 budgets onwards and that income had been higher across the Council, leading to plans to review the revenue monitoring process going forward to avoid a pessimism bias on income forecasts by services and accountancy in future years.

In response to questions, officers stated that the news of the Radio 2 event at Hylands Park was of benefit to the Council's finances, but that due to an event traditionally taking place, the forecasting did build in a slight assumption for an event each year. It was also noted that a plan was being developed to redevelop and modernise parts of the Crematorium and that concerns about local competition, may reduce income but the investment was still in the Council's financial interest .

RESOLVED that the revenue outturn position for 24/25 and actions arising be noted.

(7.34pm to 7.48pm)

8. Capital Programme Update and Provisional Outturn 24/25

The Committee considered a report which detailed the capital expenditure incurred in 2024/25 and updated them on the approved Capital Schemes and variations in cost which had been identified at outturn and to date. The report also updated the Committee on the approved Asset Replacement Programme for 2024/25 and 2025/26 for variations in cost and timing which had been identified at outturn and to date.

The Committee were informed that the proposed cost of the Capital Schemes had increased by a net £0.438m (0.3%) against the latest approved budget of £130.684m, of which the specific details were summarised in Appendix 1 to the report. It was noted that the majority of the increases forecast in spend were funded by new grants or CIL. The Committee also heard that the later timing (underspend) of Capital Schemes in 2024/25, £12.2m, was beneficial to the Council in terms of cashflow and financing, as it had reduced the requirement for borrowing in the financial year. The Committee also heard that £0.847m of the 2024/25 Asset Replacement Schemes, had been deferred to future years and this too was favourable to the Council and the requirement to borrow against short-term assets had been delayed to 2025/26.

RESOLVED that;

1. the report be noted and;
2. Officers be asked to produce a report for July Cabinet including any comments from the Audit and Risk Committee

(7.49pm to 7.53pm)

9. Internal Audit Annual Report 2024/25

The Committee received a report summarising the work that the Internal Audit team had undertaken during the financial year 2024.25, which identified key themes, highlighting how responsive management had been in implementing recommendations and reviewed the effectiveness of Internal Audit.

The report concluded that the overall audit opinion was of Moderate Assurance, in line with previous years, meaning that the Internal Audit team, based on the work undertaken, consider there to be adequate systems of control in place, with some improvements required which were detailed in the high priority findings at section 4 of the report. The Committee also heard that management responses to implementing findings had been positive throughout the year and it had been reassuring to see issues being worked on that had been reported.

RESOLVED that the Internal Audit Annual report 2024/25 be noted.

(7.54pm to 7.59pm)

10. Counter Fraud Annual Report 2024/25

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.

The Committee were also updated on a new criminal offence of 'Failure to prevent Fraud' which would become effective from September 2025, which was 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 and that the Council's new Counter Fraud Strategy in December 2025 would further underpin the key principles required.

RESOLVED that the Counter Fraud Annual Report be noted.

(7.59pm to 8.07pm)

11. Audit and Risk Committee Annual Report

The Committee received a report summarising the work undertaken during 2024/25 in line with CIPFA's Position Statement for Audit Committees 2023 and information had been gathered from the previous minutes and reports during 2024/25.

RESOLVED that the annual report be noted and recommended to the July Full Council meeting.

(8.08pm to 8.09pm)

12. Work Programme

The Committee were updated on the rolling work programme of future reports and work for the next series of meetings.

It was noted that some date changes may be required to align with external audit deadlines and that members would be advised of any changes.

RESOLVED that the work programme be agreed.

(8.09pm to 8.10pm)

13. Urgent Business

There was no urgent business.

The meeting closed at 8.10pm.

Chair