

**MINUTES OF THE
AUDIT AND RISK COMMITTEE**
held on 26 February 2025 at 7pm

Present:

Councillor N. Walsh (Chair)

Councillors, G. Bonnett, N. Dudley, D. Eley, K. Franks, S. Hall, M. Sismey and A. Sosin,

Independent Persons –
Mr C Groves
Ms J Hoeckx

1. Apologies for Absence and Substitutions

Apologies for absence were received from Councillors Clark, Bugbee and Raven. Councillor D. Eley and Councillor S. Hall substituted for Councillor N. Bugbee and Councillor H. Clark respectively.

2. Minutes

The minutes of the meeting on 22 January 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. Audit Results Report 2023/24

The Committee received a verbal update from the Accountancy Services Manager, Section 151 Officer, detailing that the draft statement of accounts had been published before the deadline in May 2024 and following that, significant work had been undertaken by officers and the new external auditors, Ernst & Young (EY) LLP.

It was expressed that a clear focus development plan should be agreed between Chelmsford City Council and EY to allow for officers to best apply resources to the tasks set by the external auditors.

The Committee received the Audit Results Report from EY. EY expressed that they had been overly optimistic with the first-year audit and that it had taken longer than anticipated. A point had been reached whereby it was decided that no further work would be undertaken for this financial year and would continue to rebuild assurance within the next financial year so that a disclaimed audit opinion could be submitted by the deadline. The Committee were made aware of the areas of the accounts that had been reviewed, and it was explained that there had been no significant weaknesses identified.

In response to questions from Members it was noted that:

- The letter of representation was a necessary part of the audit process and its use is a requirement set by national regulators.
- Inappropriate capitalisation of revenue expenditure, would enable costs to be spread over up to 50 years rather than expensing them immediately when incurred. The spreading of the cost would mis-lead and be unsustainable. The risk of this fraudulent action occurring is higher in organisations such as councils who are facing significant financial pressures. For that reason, external auditors commit significant audit resources to reviewing capital spend at all local authorities.
- In response to local government reorganisation EY expressed the importance of continuing to build assurance for as long as the Council exists. Clearly it is important that there are no significant unknown issues when the new bodies are established.
- The previous external auditor last undertook a full audit in 2020/21, EY were unable to rely on those opinions given they were given too long ago.
- Members asked that EY produce a plan for a future meeting, showing how the audit process would be returned to full annual audits
- Members asked that the delegated authority in relation to the amendments to the Statement of Accounts and letter of representation be extended to the Vice-Chair of the Audit and Risk committee going forward.

RESOLVED that:

- The verbal update from the Accountancy Services Manager, Section 151 Officer be noted,
- The draft Audit Results Report to be noted,
- The Statement of Accounts 2023/24 be approved,
- Authority is delegated to the Chair of the Audit and Risk Committee, in consultation with the Section 151 Officer, to approve any addition amendments to the Statement of Accounts and the letter of representation, arising out of any outstanding audit work, and to publish the final Statement alongside the audit opinion.

(7.04pm to 7.43pm)

7. Internal Audit Plan 2025 and Internal Audit Charter

The Committee received a report detailing the Internal Audit Plan 2025 and the Internal Audit Charter. Members were informed that the Internal Audit Plan for 2025 would be based on prioritisation of the audit universe using a risk-based methodology, including input from the Council's 'Our Chelmsford, Our Plan', Principal Risk Register, Fraud Risk Register, AGS Action Plan as well as discussing with the Council staff, senior management, plus consideration of local and national issues and risks. Members were also advised of the approach to produce a 6-month work plan for flexibility to respond to higher risks that might emerge during the year. Members were also advised that there would be follow up reviews to assess implementation of recommendations from the previous year and there was contingency for any ad hoc requests. Members were also informed of the Charter which is a key requirement to demonstrate compliance with Internal Audit Standards and shows the governance structure in which Internal Audit operates.

RESOLVED That the Internal Audit Plan and Charter be noted.

(7.43pm to 7:52pm)

8. Internal Audit External Quality Assessment and Global Internal Audit Standards Readiness

The Committee received an update on the outcome of the recent External Quality Assessment for Internal Audit and an update on Internal Audit's readiness for the new Global Internal Audit Standards (GIAS) which would come into effect on 1st April 2025.

It was reported that the outcome of the External Quality Assessment for Internal Audit was positive and that out of the 130+ standard categories there were only four low-priority recommendations.

A GIAS readiness assessment had been undertaken and was found that the service was mostly compliant with the new requirements. The remaining areas that required improvement would be covered by some updates to Internal Audit practices and would be documented in an updated Audit Methodology, as well as the introduction of the annual Internal Quality Assessment report which will be appended to the Annual Report in June 2025.

The Chair congratulated the team for their hard work around this piece of work.

RESOLVED that the Internal Audit's External Quality Assessment and update on Internal Audit's readiness for Global Internal Audit Standards be noted.

(7.53pm to 7.57pm)

9. Accounting Policies

The Committee received a report

The Committee received a report detailing the accounting policies which would be used in the preparation of the 2024/25 accounts. It was advised that these policies represent specific principles applied in the production of the annual Statement of Accounts. The Council was required to disclose these policies in the notes to the accounts and that they were aligned with the CIPFA Code of Practice on Local Authority which was based on private sector accounting.

Members were directed to the appendix of the report which were the accounting policies that the Council use. It advised that there were two significant changes these were 'Valuations of Council's property and land values' and 'Accounting for leases (IFRS16)'

RESOLVED that:

- the Committee considered and approved the accounting policies to be used in the preparation of the accounts and delegate authority to the accountancy services manager to make amendments.
- That the proposed new national publication deadlines for the Statement of Accounts and their Audit be noted.

(7.57pm to 8.02pm)

10. Work Programme

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

RESOLVED that the work programme of the Committee be noted and agreed.

(8.02pm to 8.05pm)

11. Urgent Business

There was no urgent business.

The meeting closed at 8:06pm.

Chair