

AUDIT AND GOVERNANCE COMMITTEE

Thursday, 17 July 2025

Attendance:

Councillors
Morris (Chairperson)

Bailey-Morgan
Brophy
Chamberlain

Godfrey
Pinniger
Power

Members in attendance who spoke at the meeting

Councillors Lee and Cutler (Cabinet Member for Finance and Transformation)

[Video recording of this meeting](#)

1. **APOLOGIES**

Apologies were noted from Councillor Becker, Cabinet Member for Healthy Communities.

2. **DISCLOSURE OF INTERESTS**

There were no disclosures of interest made.

3. **APPOINTMENT OF VICE-CHAIRPERSON**

RESOLVED:

That Councillor Chamberlain be appointed Vice-Chairperson of the Committee for the 2025/26 municipal year.

4. **CHAIRPERSON'S ANNOUNCEMENTS**

Councillor Morris announced that the previously scheduled meeting for 25 September 2025 had been cancelled as the agenda only contained two items which were not time sensitive and could be deferred to the next scheduled meeting. A concern was raised about the potential impact on the business to be considered at other meetings of this committee. The Director (Legal) confirmed the situation would be kept under review and further meetings arranged if considered necessary. It was noted that the receipt of disclaimed audits had impacted on the usual amount of business considered by the committee throughout the year.

5. **AUDIT & GOVERNANCE WORK PROGRAMME 2025/26**

It was queried whether the auditor's annual report would be available in time for consideration at the 27 November meeting. Simon Mathers (EY) advised that the new National Audit Office Code of Audit Practice required that the report be provided by late November. He gave assurances that the Value for Money (VFM) procedures for the report would be completed in time for the November meeting, even if financial statements procedures were not fully concluded.

RESOLVED:

That the work programme for 2025/26 be noted.

6. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

That the minutes of the previous meeting held 25 February 2025 be agreed as a correct record.

7. **PUBLIC PARTICIPATION**

Ian Tait spoke as summarised briefly below.

He raised concerns regarding the continuing collection of Winchester street market fees by the Market Manager in cash, despite a new contract for the market operation coming into force earlier this year. He believed this practice posed a significant fraud risk and queried why this had not been highlighted by the auditors as such.

The Director (Finance) responded to the comments made including highlighting that the Internal Audit plan 2025/26 considered later in the agenda (AG165 Appendix B refers) included an internal audit review to gain assurance over the market management under the new arrangements, including income collection, and banking processes.

8. **EXTERNAL AUDITOR'S REPORT 2023/24**
(AG168)

Simon Mathers (EY) introduced the report and highlighted it was largely unchanged since the Audit Results report considered at the previous committee meeting (report AG154 refers).

At the invitation of Councillor Morris, Councillor Lee addressed the committee as summarised briefly below.

Councillor Lee believed the use of the term "to note" in many of the audit reports was inappropriate as it implied passive receipt of information rather than active oversight. He questioned how the council effectively managed risk given the identified weaknesses set out in the report and whether changes to the council's governance arrangements would be sought. He also asked about the potential worst-case implications of the disclaimed audit opinion for future accounts due to delays and unresolved

valuation concerns. He highlighted Housing Revenue Account (HRA) governance failures and whether the committee would monitor the effectiveness of new arrangements.

The Director (Finance), Mr Mathers and Councillor Cutler responded to the comments made.

Mr Mathers responded to questions from members including on the methodology used for the valuation of properties and in relation to the level of fees charged for 2023/24. He emphasised that EY had undertaken the majority of work usually required for an audit and that the disclaimer opinion for the 2023/24 accounts had been issued because of the disclaimer opinion that had been issued for the 2022/23 accounts and its effect on the opening balances for 2023/24. The Director (Finance) advised that she had disputed an element of the scale fee adjustment with EY and it would be for the Public Sector Audit Appointments (PSAA) to determine the final fee payable.

Members requested that a representative from the PSAA be invited to a future committee meeting to provide further information on setting of audit fees and the Director (Finance) agreed to extend an invite.

RESOLVED:

That the Annual Audit Report 2023/24 be accepted.

9. **EXTERNAL AUDIT PLAN 2024/25**
(AG169)

Simon Mathers (EY) introduced the report and confirmed that a modified audit report was still expected for 2024/25 due to national audit reset and recovery arrangements, with a statutory backstop date of 27 February 2026. The aim was to complete the work by the end of November 2025 to provide more timely assurance. He outlined the key financial statement audit risks for 2024/25 as set out in the audit plan.

At the invitation of Councillor Morris, Councillor Lee addressed the committee as summarised briefly below.

Councillor Lee expressed concern about the impact of local government reorganisation (LGR) on officers being required to divert their focus from core audit work. He questioned whether the 2024/25 statutory audit backstop date might shift. He also asked if the proposed creation of local audit offices would increase costs for the council due to competition for auditors and if this should be recognized as a risk. He welcomed EY's inclusion of climate-related risks in the audit scope and queried if the council's own arrangements should be strengthened to reflect increasing climate-related risks and the CIPFA code of practice.

Simon Mathers (EY) and the Director (Finance) responded to questions from members on the report including explaining that the 2025/26 audit was expected to be modified in some way as a return to unqualified opinions was not expected until 2026/27 at the earliest. In addition, it was confirmed that approving the

2024/25 indicative fee did not impact the disputed 2023/24 scale fee adjustments.

RESOLVED:

1. That the external auditor's Audit Strategy for 2024/25 and the impact of the disclaiming of the 2023/24 audit opinion be noted.
2. That the indicative 2024/25 annual audit fee be approved.

10. **TREASURY MANAGEMENT OUTTURN 24/25**
(AG166)

Daniel O'Rourke (HCC) introduced the report and responded to questions from members thereon.

RESOLVED:

That the Annual Treasury Outturn Report 2024/25 be noted.

11. **WORKFORCE REPORT 24/25**
(AG163)

The Service Lead: Human Resources introduced the report and drew attention to changes since the last report in 2023/24.

At the invitation of Councillor Morris, Councillor Lee addressed the committee as summarised briefly below.

He suggested that more information on workforce deployment be provided to assist assessment of workforce wellbeing and identifying potential risks, specifically a breakdown of full-time and part-time roles by function, along with absentee rates. He raised concerns about the planning and enforcement function and requested that relevant workforce and governance data for this service area be examined.

The Service Lead: Human Resources and the Director (Finance) responded to the comments made. The Service Lead also responded to questions from members of the committee.

RESOLVED:

That the report be noted.

12. **ANNUAL INTERNAL AUDIT CONCLUSION 2024/25**
(AG164)

Antony Harvey (SIAP) introduced the report and drew attention to the specific matters detailed in the report in relation to developer contributions and the council's referral to the Regulator of Social Housing (RSH), in addition to those relating to anti-fraud and corruption. However, overall his conclusion was that the framework of governance, risk management and control were 'reasonable', and audit testing has demonstrated controls to be working in practice.

Mr Harvey and the Director (Finance) responded to questions from members including confirming that a draft report with a management action plan had been finalised in relation to Community Infrastructure Levy (CIL) and Section 106 monies and an update would be brought to a future committee.

RESOLVED:

That the Chief Internal Auditor's annual conclusion report for 2024-25 be noted as attached as Appendix A to the report.

13. **INTERNAL AUDIT CHARTER AND RISK BASED PLAN 2025/26**
(AG165)

Antony Harvey (SIAP) introduced the report and highlighted that it had been updated to reflect the new Global Internal Audit Standards. The Risk Based Internal Audit Plan for 2025/26 was developed through an extensive process, including incorporating strategic and service risk registers and discussions with the senior management team.

Mr Harvey responded to questions from members including confirming that the plan included provision for housing reviews in relation to the on-going work with the Regulator for Social Housing if required. He believed the plan was adequately resourced but it would be kept under review and any changes reported back to the committee.

RESOLVED:

That the Internal Audit Charter 2025-26 (Appendix A to the report) and the Internal Audit Risk Based Plan 2025-26 (Appendix B to the report) be approved.

14. **Q4 GOVERNANCE MONITORING 24/25**
(AG160)

The Senior Policy and Programme Manager introduced the report and highlighted that at the end of March 2025 there was only one overdue action. Actions related to the information governance records retention audit had been completed, and a follow-up review concluded with a reasonable assurance opinion.

The Senior Policy and Programme Manager and Director (Finance) responded to questions from members.

The committee commended officers for the significant progress made in their working relationship with the internal auditors in addressing outstanding actions.

RESOLVED:

That the content of the report including the progress against the internal audit management actions be noted.

15. **EQUALITY, DIVERSITY & INCLUSION - ANNUAL EQUALITY REPORT 2024/25**
(AG161)

The Senior Policy and Programme Manager introduced the report and highlighted that an updated EDI framework, strategy, and action plan had been adopted by the committee in February.

RESOLVED:

That council's equality work undertaken during the past year and the progress achieved towards the council's Equality, Diversity Action Plan which moves the council forward towards reaching the 'achieving' standard of the LGA Equality Framework be noted.

16. **ANNUAL GOVERNANCE STATEMENT 24/25**
(AG162)

The Senior Policy and Programme Manager introduced the report and highlighted the two issues identified for inclusion in the statement as requiring consideration and action during 2025/26, namely the self-referral to the Regulator of Social Housing (RSH) and Local Government Reorganisation.

The Senior Policy and Programme Manager, the Director (Finance) and Councillor Cutler responded to questions from members, including confirming that the majority of actions required to ensure compliance with the RSH would be completed by the end of 2026.

RESOLVED:

1. That the annual governance statement for 2024/25 be approved as set out in Appendix 1 of the report for inclusion in the Annual Financial Report 2024/25.

2. That the issues arising, and actions identified in Appendix 1 of the report be noted and that progress against the actions be brought back to the Audit and Governance Committee as an appendix to the quarterly governance monitoring report.

17. **ANNUAL FINANCIAL REPORT 24/25**
(AG167)

The Director (Finance) introduced the report which was for information purposes only at this stage. Training to assist understanding of the financial statement would be provided for committee members before the Statement of Accounts 2024/25 was submitted for approval at the 27 November 2025 meeting.

Members congratulated the officer team for their work in publishing the draft Statement of Accounts by the statutory deadline of 30 June 2025.

RESOLVED:

That the council's Draft Statement of Accounts for 2024/25 be noted.

The meeting commenced at 6.30 pm and concluded at 9.20 pm

Chairperson