

REPORT TITLE: AUDITED ANNUAL FINANCIAL REPORT 2024/25

29 JANUARY 2026

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Deputy Leader and Cabinet Member for Finance and Transformation

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WARD(S): ALL WARDS

PURPOSE

This report presents the audited Annual Financial Report 2024/25 which includes:

- a narrative statement (for noting); and
- the audited Statement of Accounts for the year ended 31 March 2025 (for approval).

The Accounts and Audit (Amendment) Regulations 2015 were amended in 2024 for financial years 2015-2027 as part of measures to address the audit backlog. The 2024/25 financial statements and must be published by 27th February 2026 backstop date.

The Audit and Governance Committee has delegated powers to review and approve the annual Statement of Accounts. The Committee has specific responsibility to consider the appropriateness and application of accounting policies and whether there are any concerns arising from the financial statements' audit.

Elsewhere on the agenda the External Auditors have presented their Audit Results Report which includes a proposed disclaimer opinion (AG174). It is important that Members have considered the key issues contained in the Accounts. Members have had the opportunity to raise any queries regarding the Financial Statements in the period since the pre-audit accounts were originally issued in June 2025 and are once again requested to raise any matters of detail with the Director (Finance).

**RECOMMENDATIONS:**

1. That the Committee approves the audited Statement of Accounts 2024/25 as set out in Appendix 1.
2. That the Chair of the Audit & Governance Committee signs the Statement of Responsibilities on page 32 of Appendix 1 to certify the accounts and authorise their issue.

**IMPLICATIONS:****1      COUNCIL PLAN OUTCOME**

1.1    Efficient and Effective

1.2    The preparation of the Annual Financial Report is fundamental to open and transparent accountability for public finances. Ensuring strong financial reporting and transparent stewardship of public funds underpins the council's ability to deliver all its outcomes but in particular the priority to ensure stable council finances.

**2      FINANCIAL IMPLICATIONS**

2.1    The scale fee for the audit of the 2024/25 accounts is £172,922.

2.2    The 2023/24 scale fee variation has now been agreed by PSAA as £59,832, increasing the final audit fee for the prior year to £217,658. The fee variations were due to:

- Additional procedures to implement the revised ISA 315 (UK) auditing standard
- Additional procedures to consider the Council's readiness for the implementation of IFRS 16
- Work performed by EY Pensions to review the assumptions used in the Pensions Liability alongside additional work performed by the EY Audit Team to review the revised IAS 19 report
- Work performed by EY Real Estate (EYRE) to review the assumptions used in PPE and IP valuations and additional procedures performed by the audit team and EYRE due to issues noted around the key inputs and assumptions used in the valuation
- Work performed by audit team on VFM risk of significant weakness.
- Additional work performed by audit team and EY Forensics and Integrity Services on potential noncompliance with law and regulation.

**3      LEGAL AND PROCUREMENT IMPLICATIONS**

3.1    Local authorities in the UK are required to prepare their accounts in accordance with 'proper (accounting) practices' as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code). The Code specifies the principles and practices of accounting, required to prepare financial statements that give a true and fair view of the financial position and transactions of a local authority.

3.2 The Audit and Accounts Regulations 2015 require an authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and include a statement reporting on the review alongside the Statement of Accounts.

3.3 The necessity to conform to these Regulations and the Code is recognised accurately in this report. There are no direct legal implications.

4 **WORKFORCE IMPLICATIONS**

4.1 None.

5 **PROPERTY AND ASSET IMPLICATIONS**

5.1 None.

6 **CONSULTATION AND COMMUNICATION**

6.1 A public notice is published to inform interested parties of their rights to inspect the statement of accounts and records relating to them. The public notice also details how to access this information and how to ask questions of and make objections to the council's external auditor. This was published the day following publication of the unaudited Annual Financial Report, the 1st July 2025. There have been no requests, questions or objections received by the council or the auditors.

7 **ENVIRONMENTAL CONSIDERATIONS**

7.1 None.

8 **PUBLIC SECTOR EQUALITY DUTY**

8.1 None.

9 **DATA PROTECTION IMPACT ASSESSMENT**

9.1 None.

10 **RISK MANAGEMENT**

<b>Risk</b>	<b>Mitigation</b>
<p>Reputation</p> <p>The financial statements receive an adverse external audit opinion.</p>	<p>The statements are prepared in accordance with the CIPFA code of practice. Accounts staff attend regular public sector accounting workshops delivered by CIPFA.</p> <p>Regular engagement with external audit on potential issues identified.</p>

Achievement of outcome	A project plan for the delivery of the accounts closedown is used to ensure the Statement of Accounts and Annual Financial Report are produced by the statutory and audit deadlines.
Failure to meet the statutory deadline for publication of the financial statements.	A comprehensive set of working papers was produced in advance of the external audit.

## 11 SUPPORTING INFORMATION:

### **External Audit**

11.1 The financial statements have been subject to external audit by Ernst and Young LLP (EY). In accordance with the statutory requirements, it is planned that the audited Statement of Accounts will be published, together with the auditor's opinion, Narrative Statement and Annual Governance Statement, by the 27th February 2026.

11.2 The Accounts and Audit Regulations (2015) were amended in 2024 for financial years 2015-2027 as part of measures to address the audit backlog. The 2024/25 financial statements must be published by 27th February 2026 and if local audits are not finalised by this deadline disclaimers of opinion will be issued.

11.3 EY anticipate that they will issue a disclaimer of opinion on the council's 2024/25 Financial Statements. EY have set out in their annual reports (AG174 and AG175 refer) the reasons for this being twofold:

- As a result of the disclaimer of opinion on the 2023/24 financial statements, EY have said they do not have assurance over some brought forward balances from 2023/24; some 2024/25 in-year movements; and the 2023/24 comparative balances disclosed in the 2024/25 financial statements.
- EY have also not completed their procedures to resolve the judgmental differences regarding the valuation of some PPE and investment property assets, or concluded whether any potential errors might be material to the accounts.

11.4 The lack of assurance over these movements and balances means that they are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement, therefore anticipate issuing a disclaimed opinion.

- 11.5 However, it should be noted that these issues are not unique to Winchester and have not put the council behind on the 'progress to full assurance' journey as set out in the NAO's Local Audit Reset and Recovery Implementation Guidance.
- 11.6 Ahead of the audit of the accounts for the year ending 31st March 2026 the council will work with its external professional valuers and the EY team and to try and resolve the judgemental differences that have been identified. This is reliant on the EY Real Estate team sharing their detailed findings and evidence base with the council.
- 11.7 Since the preparation of the pre-audit Statement of Accounts and its publication in June 2025, there have been no material amendments to the draft statements.

### **Approval of the Statement of Accounts**

- 11.8 The Statement of Accounts has been prepared in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and any subsequent Local Authority Accounting Panel (LAAP) recommendations.
- 11.9 The council's Statement of Accounts was signed, prior to the Committee meeting, by the Director (Finance), in her capacity as Section 151 Officer, to certify that they give a true and fair view of the financial position of the Council as at 31 March 2025.
- 11.10 In addition, the Chair of the Audit and Governance Committee is required to sign the Statement of Accounts to certify that they have been approved by a resolution of the Audit and Governance Committee and that they are authorised for issue.

### **12 OTHER OPTIONS CONSIDERED AND REJECTED**

- 12.1 Not applicable.

### **BACKGROUND DOCUMENTS:-**

#### **Previous Committee Reports:-**

[AG167 Draft Annual Financial Report 2024-25.docx](#)

### **APPENDICES:**

Appendix 1 – Annual Financial Report for the Year Ended 31 March 2025

