

REPORT TITLE: AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT
2025/26

2 JUNE 2026

REPORT OF COUNCILLOR MORRIS, CHAIRPERSON OF THE AUDIT AND
GOVERNANCE COMMITTEE

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WARD(S): ALL

PURPOSE

This is the first annual report of Audit and Governance Committee and follows a CIPFA recommendation for the committee to report annually to full Council. The report provides an overview of the work undertaken by the Audit & Governance Committee during the 2025/26 municipal year.

In future years, it is intended that this report be considered by Audit and Governance Committee prior to submission to Council. However, due to the scheduling of meetings this was not possible this year. However, the chair has agreed its contents and the report has been share with all committee members in advance of publication for the Council meeting.

RECOMMENDATIONS:

That Council note the Annual Audit and Governance Committee report for 2025/26.

Audit and Governance Committee Annual Report 2025/26

Introduction

This is the first year of an annual report to be received by for Full Council.

The purpose of this report is to set out a brief factual review of the Committee's work during the 2025/26 municipal year.

The meetings of the Committee are held in public with agenda packs and minutes available through the [Council's website](#), with a webcast available on a live and subsequently recorded basis. Members of the public can register to speak at any of the meetings in accordance with the council's agreed [public participation procedure](#). Other councillors who are not members of the committee (i.e. "invited councillors") can also register to speak.

The draft agendas are received by the Executive Leadership Board (ELB) as part of the usual process for committees, and a Chair's Briefing is arranged prior to the committee meeting date.

The Committee is supported at each meeting by the following Senior Officers: Liz Keys, Director (Finance) / Section 151 Officer and Gareth John, Director (Legal) / Monitoring Officer.

Further Council officers, including the Senior Policy and Programme Manager & the Service Lead (Human Resources) attend the meetings on an as required basis depending on the items being considered.

Representatives from the following external organisations also attend to present their reports to the Committee:

- Antony Harvey (the council's Chief Internal Auditor from the Southern Internal Audit Partnership)
- Simon Mathers (a Partner from the council's external audit firm, EY)
- Gemma Farley, Daniel O'Rourke (from the Investments & Borrowing Team at Hampshire County Council who provide the council's Treasury Management function)

Membership of the committee

Members are appointed at annual council in May. The membership for 2025/26 was from the Liberal Democrat, Conservative and Green party groups as follows: Councillors Morris (Chairperson), Chamberlain (Vice-Chairperson), Bailey-Morgan, Brophy, Godfrey, Pinniger and Power. The following councillors were appointed as deputies (two for each political group): Councillors Aron, Bennett, Bolton, Lee, Miller and Wallace.

Meeting dates and attendance

Four meetings were scheduled for 2025/26 on 17 July 2025, 25 September 2025, 27 November 2025 and 5 March 2026. However, with the agreement of the chairperson, the September meeting was cancelled due to the amount of other additional meetings required at the time to consider reports on both Local Government Reorganisation (LGR) and Community Governance Review (CGR). The work programme only included two items which could be deferred to the 27 November meeting without any issues. An additional meeting was subsequently arranged for 29 January 2026 to receive the External Auditors annual reports for 2024/25 (as the audit was not completed by EY in time for the scheduled November meeting).

Attendance table

Member	Meeting Date				Total
	17/07/25	27/11/25	29/01/26	05/03/26	
Councillor Morris (Chair)	x	x	x	x	4/4
Councillor Chamberlain (Vice Chair)	x	x	x	x	4/4
Councillor Bailey-Morgan	x	x	x	A*	3/4
Councillor Brophy	x	x	A	x	3/4
Councillor Godfrey	x	x	x	x	4/4
Councillor Pinniger	x	x	x	x	4/4
Councillor Power	x	x	x	x	4/4
<u>Deputies:</u>					
Councillor Lee				x	1/1

X – present at meeting

A – Apologies (no deputy)

A* - Apologies (sent deputy)

The committee meetings have also been regularly attended by the Cabinet Member for Finance and Performance and the Cabinet Member for Healthy Communities (in her governance role).

Remit of the Committee

The Audit and Governance Committee responsibilities cover audit, governance and human resources functions. This includes considering both the Internal Audit Manager's annual report and opinion and reports of the Council's external auditor. It also reviews and approves the Council's Annual Statement of Accounts and monitors the governance framework of the Council. The Committee has delegated authority to undertake the Council's Standards and human resources functions and can appoint two Sub-Committees: a Standards Sub-Committee and a Human Resources Sub-Committee. However, there was no requirement for either Sub-Committee to be appointed in 2025/26.

The Terms of Reference of the Committee are contained within the Council's Constitution under Part 2 Article 9. The terms of reference were amended following a report to the 5 March 2026 meeting of the committee. This was in response to the CIPFA Code of Practice for the Governance Internal Audit. Arising from this assessment, there were two requirements where the council's existing arrangements achieved partial compliance. To achieve full compliance, the council was recommended to update the terms of reference to conform with the CIPFA model terms of reference.

The amended terms of reference are included within report CL178 elsewhere on this agenda.

The previous Terms of Reference (ie those applicable for the 2025/26 Municipal Year) are attached as Appendix 1.

Training provided for Committee Members

- 16 July 2025 – Committee members signposted to LGA virtual event: Understanding local government audit committees.
- 17 July 2025 - All Committee members (including existing members) required to attend a short familiarisation session in advance of the first meeting of committee of municipal year.
- 16 October 2025 - Arlingclose briefing – online briefing provided by the council's external Treasury Management advisers and open to all councillors.
- 23 October 2025 - Understanding your council's financial statements – in person training provided by the CIPFA Finance Advisory Network, primarily for committee members but open to all councillors.

Committee Meeting Activity

A summary of the agenda items received at each meeting of the Committee is set out below.

17 July 2025

1. Work programme 2025/26
2. External Auditor's report 2023/24 (AG168)
3. External Audit Plan 2024/25 (AG169)
4. Treasury management outturn 24/25 (AG166)
5. Workforce Report 24/25 (AG163)
6. Annual Internal Audit Conclusion 2024/25 (AG164)
7. Internal Audit Charter and Risk Based Plan 2025/26 (AG165)
8. Q4 Governance monitoring 24/25 (AG160)
9. Equality, Diversity & Inclusion - Annual Equality Report 2024/25 (AG161)
10. Annual Governance Statement 24/25 (AG162)
11. Annual Financial Report 24/25 (AG167)

25 September 2025

This meeting was cancelled with the chair's agreement due to the amount of other additional meetings required at this time to consider reports on both LGR and CGR. The work programme only included two items which both could be deferred to the 27 November meeting without any issues.

27 November 2025

1. Updated Work Programme 25/26
2. Final Report and Pay Policy Statement 2026/27 (AG170)
3. Treasury management mid-year report 25/26 (AG179)
4. External auditors verbal update (on timings of the 2024/25 annual audit reports)
5. Internal Audit Progress Report 2025/26 (AG172)
6. External Quality Assessment (AG176)
7. Internal Audit Strategy 2025-2028 (AG177)

8. Q1 /Q2 Governance Monitoring 25/26 (AG171)

29 January 2026

1. Updated work programme 2025/26
2. Certification of claims & returns annual report 2024/25 (AG178)
3. 24/25 Auditor's Annual Report (AG175)
4. 2024/25 Auditors Annual Results Report (AG174)
5. Audited Annual Financial Report 2024/25 (AG173)
6. Internal Audit Progress Report 2025-26 (December 2025) (AG180)
7. External Quality Assessment – Final Report (AG181)

5 March 2026

1. Internal Audit Charter and Risk Based Plan 2026-27 (AG185)
2. Annual review of Risk Management Policy 2026/27 (AG183)
3. Local Code of Corporate Governance 2026/27 (AG184)
4. Q3 Governance Monitoring 25/26 (AG182)

Report of the chairperson of the Audit and Governance Committee, Councillor Jonny Morris.

I am pleased to present this first annual report of the Audit and Governance Committee. It follows a CIPFA recommendation for the committee to report annually to full council, to comment on where it has added value.

This report provides an overview of the work undertaken by the Audit and Governance Committee during the 2025/26 municipal year. Throughout the year, the committee held four formal meetings to provide oversight of the council's financial reporting, internal control environment, and risk management frameworks. Meetings included the regular quarterly governance monitoring report from the council, in addition to a separate quarterly monitoring report from Internal Audit. The Cabinet Member for Finance and Performance attended all meetings, together with the Cabinet Member for Healthy Communities where applicable. The committee also welcomed contributions from the public and other members of the council not appointed to the committee (i.e. "invited councillors").

The impact of the Government's "audit backstop" requirements, designed to clear the national backlog of public sector audits, was still apparent. Our 2023/24 and 2024/25 external audit opinions were adversely affected by the lack of audit on the 2022/23 accounts; resulting in a "disclaimer" audit opinion for all years. Whilst the council remains on track with progress towards full assurance from the auditor, opinions are not expected to be based on full assurance until the 2026/27 accounts.

The year also saw changes to the internal audit reporting arrangements as a result of the of the new Global Internal Audit Standards which came into force from 1 April 2025.

At the start of the municipal year in July 2025, the committee appointed Councillor Chamberlain as Vice-Chairperson. During this meeting, we considered the External Auditor's Report for 2023/24, noting that a disclaimer of opinion was issued due to unresolved issues regarding opening balances from the previous year. We queried the audit fee and requested that a representative from the Public Sector Audit Appointments (PSAA) be invited to a future meeting¹. We also reviewed the External Audit Plan for 2024/25, where the committee raised concerns about the impact of Local Government Reorganisation (LGR) on staff resources. Public participation highlighted concerns regarding the collection of street market fees in cash and it was noted that there was a scheduled internal audit review of these processes due in 2025/26. Additionally, the committee noted a "reasonable" annual internal audit conclusion for 2024/25 and approved the Internal Audit Charter and Risk-Based Plan for the following year. The Director (Finance) agreed to provide an update on the management action plan in relation to CIL and S106 monies to a future committee².

In November 2025, the committee recommended the Pay Policy Statement 2026/27 to the Council for adoption, following discussions on staff retention and the use of

¹ The Director (Finance) extended the invite to the PSAA which was declined.

² Verbal updates were provided by the Director (Finance) and the Corporate Head of Planning and Regulatory Services to both the November 2025 and January 2026 meetings.

agency staff during LGR. We received a Treasury Management Mid-Year Report, confirming full compliance with the council's strategy. External auditors provided an update on the 2024/25 audit, noting that while work was progressing, judgemental differences regarding property valuations remained a challenge. During public participation, concerns were raised regarding high build costs in the New Homes Programme, which members discussed alongside the Internal Audit Progress Report.

An additional meeting was held in January 2026 to consider the 2024/25 Auditor's Annual Report and Results Report. The committee noted that another disclaimer of opinion was anticipated for the 2024/25 accounts. The Committee requested that EY provide granular information on their methods of valuations in order that the council could work with their officers and EY to resolve the situation prior to the next audit. The committee approved the Audited Annual Financial Report 2024/25, acknowledging the council's stable financial position. The committee received and noted the annual report providing assurance on the council's Housing Benefits subsidy claims. A verbal update was provided on the management action plan created following an internal audit of Section 106 and Community Infrastructure Levies. We also considered an internal audit update that issued a "no assurance" opinion regarding housing asset management repairs and maintenance, leading to the development of a Housing Property Services Improvement Plan. Public participation was heard regarding the management of Section 106 payments, the value for money of the council's new homes programme, and the continued collection of market pitch fees in cash.

At our final meeting in March 2026, the committee approved the Internal Audit Charter and Risk Based Plan 2026-27 and the Local Code of Corporate Governance. We also reviewed the Annual Review of Risk Management Policy, suggesting that risks related to the Nature Emergency be further considered when the report was discussed by Cabinet. The committee considered the regular Q3 governance monitoring report and congratulated officers on the fact that there were no outstanding code of conduct complaints. The committee adopted updated Terms of Reference following an assessment against new Global Internal Audit Standards, ensuring our governance framework remains aligned with best practices (the revised terms of reference are included within report CL178 elsewhere on this agenda). We also noted that progress was being made between the council and external auditors to resolve valuation assumption differences.

All committee members contributed constructively to these critical issues, and I am grateful to them and the officer team for their support throughout the year.

Audit & Governance Committee – Terms of reference (prior to March 2026)

1.1 Terms of Reference

The Committee will have the following terms of reference relating to audit, governance and human resources functions.

1.2 Audit

- a Act as the Council's Audit Committee for internal and external audit.
- b Agree and oversee the Council's Internal Audit Plan and monitor progress against this Plan.
- c Receive, and consider the work of the external auditor.
- d Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- e Overview the Council's risk management arrangements to provide independent assurance of the adequacy of the risk management framework.
- f Seek assurance that action is being taken on risk-related issues identified by auditors and inspectors.
- g Approve the Governance and Assurance Statements, Statement of Accounts and anti-fraud and anti-corruption arrangements.
- h To notify, report or recommend to Cabinet and Council as appropriate.
- i Have continued due regard for all conduct and governance requirements that include the CIPFA (Chartered Institute of Public Finance and Accountancy) guidance.
- j To review, monitor and consider reports from the Section 151 Officer on Treasury management, functions and activities.

1.3 Governance functions

- a Promote and maintain high standards of conduct by Councillors and any co-opted members.
- b To operate the overall scheme in respect of the local determination of Code of Conduct complaints against Council and Parish/Town Members (this role is largely delegated by the Constitution to a Standards Hearings Sub-Committee and the Monitoring Officer as set out in greater detail in the Constitution).
- c Approve, and review relevant codes of conduct, protocols and other arrangements that relate to the governance of the Council.

- d Promote and ensure training of Councillors and co-opted members in the relevant governance aspects.
- e Grant dispensations, where referred by the Monitoring Officer and in accordance with the Localism Act 2011 or other legislation.
- f To monitor the use of dispensations.
- g To appoint a Sub-Committee which will have delegated responsibility to consider investigation reports, in respect of Code of Conduct complaints, that are referred to it by the Monitoring Officer and conduct hearings into allegations that a Member or co-opted Member of the Council or Town/Parish Council has breached the relevant code of conduct.
- h To overview the Council's whistle blowing policy.
- i To review, monitor and consider reports from the Monitoring Officer.

1.4 Human Resource Functions

To receive and consider reports relating to workforce policies and related performance.

Where there is a specific requirement a Sub Committee can be appointed which shall deal with disciplinary matters relating to relevant officers.