



## Minutes of the meeting of the Audit & Governance Committee held on 27 February 2025 when there were present:-

Chair: Cllr N Harvey

Cllr N Benson  
Cllr M Dearson  
Cllr A Edwards

Cllr J Huntman  
Cllr L Larman  
Cllr B Wimbledon

### SUBSTITUTE MEMBERS

Cllr S Brooke - for Cllr L Breading

### APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr L Breading and Cllr A Harbinson.

### OFFICERS PRESENT

A Law	- Assistant Director Legal & Democratic Services (MO)
L Wosko	- Assistant Director Finance & Procurement (S151)
A Barnes	- Head of Internal Audit (Southend City Council)
S Worthington	- Democratic Services Manager
H Boyd	- Democratic Services Officer
M Hodgson	- EY External Auditors (remote)

### 62 DECLARATIONS OF INTEREST

There were none.

### 63 MINUTES

The Minutes of the meeting held on 30 January 2025 were agreed as a correct record and signed by the Chair.

### 64 EXTERNAL AUDITOR'S DRAFT AUDIT COMPLETION REPORT 2023/24

The Committee considered the report of the Assistant Director, Finance & Procurement which drew the Committee's attention to the external auditor's draft 2023/24 audit completion report. The external auditors (EY) presented their findings.

It was noted that the Government had introduced legislation in September to address the backlog in the local audit sector. Stage 1 required the completion of all audits up to and including 2022/23 by 13 December 2024, which was achieved on 10 December 2024.

The 2023/24 financial audit would be disclaimed for two reasons. Firstly, all outstanding audits had been disclaimed due to historic management integrity concerns, which had been reported through value for money assessments in previous audit completion reports. Secondly, the draft 2023/24 accounts were published on 16 January 2025, seven months overdue from the 31 March 2024 deadline, leaving insufficient time for a thorough audit before the backstop date. Only the minimum procedures under auditing standards were performed, meaning a full audit opinion could not be provided, and the 2023/24 audit opinion would continue to be disclaimed.

EY had outlined the risks that would have been considered if a full audit had been conducted. They had not identified any control weaknesses as no related procedures had been performed. Value for money procedures had been completed, with findings detailed in section 5 of the report. The risks and weaknesses reported were largely the same as in 2022/23, with one additional significant risk noted. In December 2024, the Regulator for Social Housing had issued a judgment against the Council, citing significant failings, with details set out on page 33 of the report. The full wording of the audit opinion had been provided to the Section 151 Officer and was similar to that of 2022/23.

It was noted that the late publication of accounts would usually be considered a significant weakness, particularly as this was the third consecutive year of missed deadlines. However, EY acknowledged the management integrity issues, and the steps taken by the Chief Executive, along with corporate capacity, service reviews and budget setting for 2025/26. Despite these factors, they had not identified underlying weaknesses in the preparation of the accounts. If the draft accounts for 2024/25 were also published late, this judgment would be revisited, with statutory recommendations issued if necessary. The 2024/25 draft accounts were due by 30 June 2025.

Members expressed concern at the third consecutive disclaimer and requested earlier updates before future deadlines. Concerns were also raised regarding the lack of assurance over closing and opening balances and the accuracy of financial statements, particularly as there were eight incorrect opening balances. Officers clarified that EY had been looking at figures within the narrative and prior year comparative. Additional wording had been included under the figures to make it clear that these were the latest available.

The history of disclaimers due to the same historic management integrity issues was discussed. It was also explained that the accounts were retrospective and, with insufficient time to complete a full audit, the meeting on 27 February 2025 was the latest possible opportunity before the deadline, occurring 30 days after the accounts' publication. The public inspection period had finished on the day of the meeting, with no questions or objections received from the public.

EY reaffirmed their role as the Council's third line of defence, alongside the Section 151 Officer, Internal Audit, and financial statements, which collectively built a picture of assurance. However, they reiterated that full assurance could not be provided. Members questioned whether EY was comfortable with signing off the accounts given the concerns raised. EY responded that this was a decision for the Committee, which needed to determine whether the available assurances were sufficient.

Two options were presented:

1. Approve the accounts as presented.
2. Not approve them, which would mean missing the publication and backstop date, leading to escalation to MHCLG.

EY confirmed that a disclaimer would continue to be issued. Members asked whether continued disclaimers could lead to intervention. EY stated they could not speak for MHCLG but acknowledged that the issue might be on their radar. They explained that the inability to gain comfort over audit statements due to the same historic management integrity issues had been an issue in 2021/22, 2022/23, and part of 2023/24. The Financial Reporting Council had issued guidance in November 2024 on how to rebuild assurance, noting that the process would take longer when multiple years had been disclaimed. This process would be staged to allow for completion of regular financial tasks. It was estimated that full reassurance would take at least three years, meaning the 2024/25 audit would also be disclaimed. EY planned to conduct additional work on the 2024/25 accounts as part of the assurance rebuilding process.

Members asked who sets the charges regarding the public's ability to obtain copies of the accounts. It was confirmed that the Section 151 Officer had discretion over charges but was unlikely to impose a fee, as the administrative costs would outweigh the revenue generated.

Regarding pension discrepancies, EY noted that pension valuations were conducted by actuaries and were typically in deficit. The Council made monthly payments, with an additional lump sum every third year. When asked if EY could confirm that the opening balances were correct, they reiterated that no procedures had been performed to verify them. Members suggested a random sampling approach, but EY explained that a full audit typically took 9-12 months, while they had only seven weeks between publication and the backstop date. Given the number of councils facing similar deadlines, they had prioritised completing international minimum procedures. EY explained that a letter had been sent to all councils in August 2024 informing them that if the draft audits hadn't been published by August 2024, then they wouldn't be able to perform a full audit.

Members questioned why certain risks identified in previous years had not yet been addressed. EY confirmed that risk designations remained unchanged, as these risks were relevant to every audit. Business continuity concerns were raised, particularly regarding third parties. Officers confirmed that any issues flagged by external auditors would be considered in the internal audit work plan,

with a business continuity internal audit already completed and a follow-up scheduled.

Members raised concerns about findings that suggested evidence of deliberate circumvention of controls, stating that the report reflected a damning assessment. EY clarified that this related to historic senior management issues and would remain in the report for this year, as the previous Section 151 Officer and Monitoring Officer had been in place at the start of 2023/24.

The valuation of land was discussed, with auditors confirming that valuations could fluctuate with the market. The Council relied on external experts for valuations, but given the assumptions involved, there was an inherent risk of significant variations.

Members sought assurances that the 2024/25 audit would be completed on time. Officers confirmed that year-end processes were being finalised. A permanent Chief Accountant was due to start on 24 March 2025, bringing experience from another local authority, and the interim Chief Accountant would remain until June 2025 to ensure a smooth handover and additional capacity. With the previous audit backlog now cleared, future audits were expected to align more closely with standard timeframes. Future disclaimers would reflect historic issues rather than any in respect of the current Council administration.

Members noted a duplicated sentence on page 31, and EY confirmed that this would be corrected.

Cllr N Harvey moved a Motion, seconded by Cllr N Benson, to approve the recommendation set out in paragraph 3.1 of the report and this was agreed unanimously on a show of hands.

### **Resolved**

- (1) That the draft Audit Completion Report for the year ended 31 March 2024, as set out at Appendix A, be noted.
- (2) That if there are any significant changes to the draft report, the section 151 Officer shall bring these to the attention of the Chair of the Committee and report these to the next available Committee meeting.

## **65 FINANCIAL STATEMENTS 2023/24**

The Committee considered the report of the Assistant Director, Finance & Procurement which presented the audited financial statements for 2023/24 for approval.

Representatives from EY had provided an update on the accounts for agenda item 4. It was noted that the financial statements had been published on 16 January 2025, and the public inspection period had closed at 4.00 pm on the day

of the meeting. No representations had been received from members of the public.

One change had been made following discussions with the External Auditors. An addendum containing the Annual Governance Statement (AGS) for 2022/23 would be appended to the 2023/24 accounts. It was confirmed that the Addendum remained unchanged and current and would be placed at the end of the Statement of Accounts.

Members sought clarification on paragraph 5.4 regarding the backstop date of 28 February 2028. It was confirmed that this should be amended to 2025.

The Committee was assured that the accounts could be published on the website the following day to meet the Government's backstop date.

Cllr N Harvey moved a Motion, seconded by Cllr A Edwards, to approve the recommendation set out in paragraph 3.1 of the report and this was agreed unanimously on a show of hands.

### **Resolved**

- (1) That the financial statements be approved in substance by the Committee.
- (2) That the Chair, in consultation with the Section 151 Officer, be given delegated authority to sign the accounts once EY have finalised the Completion Report and it is ready for issue.

The meeting closed at 7.47 pm.

Chair .....

Date .....

If you would like these minutes in large print, Braille or another language please contact 0207 520 1431 or email [translations@languageline.co.uk](mailto:translations@languageline.co.uk) .