

**Minutes of the Audit Committee  
27 July 2023**

**Present:**

Councillor J. Button (Chair)  
Councillor K. Howkins (Vice-Chair)

Councillors:

M. Arnold	M. Bing Dong	P. Briggs
S. Bhadye	L. E. Nichols	

**In Attendance:** Councillors C. Bateson and M. Beecher

**13/23 Apologies and Substitutes**

There were no apologies received.

**14/23 Minutes**

Councillor Nichols raised concern about the following statement from the Chief Executive appearing in the minutes: “The audit report presented to this Committee in the previous item, has thus taken our auditors 5 years to produce - though to be fair to KPMG, the best part of a year’s delay can be directly attributed to the actions of one individual Spelthorne Councillor which is currently being investigated under the Members’ Code of Conduct,” as the matter should not have been spoken about since it was under investigation and has since been found to be inaccurate.

The minutes of the meeting held on 23 March 2023 were approved as a correct record.

**15/23 Disclosures of Interest**

Councillor Nichols declared that he was a member of Knowle Green Estates Limited Board.

**16/23 Refreshed Internal Audit Assurance Opinions**

The Committee received a report from the Internal Audit Manager on the refreshed Internal Audit Assurance opinions.

The Committee confirmed the audit opinion was owned by the Internal Audit Manager.

The Committee **resolved** to note and endorse the refreshed assurance opinions which have been adopted from 2023.

### **17/23 Corporate Risk Register (Corporate Risk Management)**

The Committee received a report from the Internal Audit Manager on the significant strategic risks to the Council in delivering its priorities.

The Internal Audit Manager informed the Committee that work was underway, in conjunction with IT, on transferring the current Risk Register to a new system which would modernise the look and feel of the register.

The Committee asked whether the Internal Audit Manager advised the Management Team on risks and were advised that part of their role was to highlight risks to both the Audit Committee and the Management Team. Financial risks would be highlighted by the external auditors.

The Committee discussed the Sinking Fund as a mitigating factor for some of the financial risks identified and queried the balance of the Fund. The Chief Accountant advised that since the start of the investment properties, £54m of income had been used to support Council services and that the Sinking Fund stood at approximately £38m.

The Committee suggested that some of the mitigating actions in the Risk Register required increased clarity around how those actions make a difference.

The Committee **resolved**:

1. To note the significant strategic risks and issues highlighted in the report,
2. To recommend that the Corporate Risk Register be presented to the Corporate Policy and Resources Committee
3. To ensure continued wider reporting of the Corporate Risk Register and Risk Action Plan across other Committees

### **18/23 Annual Internal Audit Report & Opinion for 2022/23**

The Committee received a report from the Internal Audit Manager on the Annual Internal Audit Report for 2022/23.

The Committee asked if it would be possible to know if there were any actions that had been identified by audits that had not been carried out and whether the officers responsible for those actions could be invited to attend a future Committee meeting. The Chair confirmed that it was within the Committee's remit to request specific officers to attend meetings.

The Committee queried whether there was a strategy to prevent risk and were advised that it was not always possible to prevent a risk but actions can put in place to mitigate risk.

The Committee **resolved** to:

1. Note the Annual Internal Audit Report for 2022/23.
2. Note the annual audit opinion on the Council's internal control environment, risk management and governance arrangements

### **19/23 Public Interest Report Recommendations - Action Plan**

The Committee received a report from the Group Head – Assets on the proposed actions to address the recommendations in the Public Interest Report.

Councillor Nichols proposed a change to Option 1 in the report by adding the following text "...to establish a risk-based view of the expected long term portfolio and individual property behaviour to inform members and support future decisions including sinking fund adequacy". This was agreed by the Committee.

The Committee requested to see cash flow at both property and portfolio level and visual representation of these. The Committee also felt the risk register lacked discussion around financial risks. The Committee further requested that the appendices be reviewed by councillors so that they could be understood without lengthy explanation. The Group Head – Assets thanked the Committee for their feedback and advised that the report would be returning to the Development Sub-Committee in the Autumn.

The Committee queried the use of key performance indicators (KPI's). The Group Head – Assets advised that they would be reporting three times a year, with the reports closely linked to the KPIs. The Deputy Chief Executive further advised that KPI reporting would become more aligned with the financial reporting cycle and that discussions were ongoing as to how to better use KPI's to inform decision making.

The Committee **resolved** to note and agree the action plan, subject to continued input and review by the Development Sub-Committee, to adopt a robust asset and tenancy management strategy that manages tenant risk, reduces void periods and empty premises costs, and delivers certainty of income receipt which supports the debt repayment strategy set out for each asset, and approve the proposed KPIs, and to establish a risk-based view of the expected long term portfolio and individual property behaviour to inform members and support future decisions including sinking fund adequacy.

### **20/23 Department for Levelling Up, Housing & Communities Review**

The Committee received a verbal update from the Deputy Chief Executive on the review by the Department for Levelling Up, Housing & Communities.

The Deputy Chief Executive advised the Committee that at this point in time there was no update to give.

### **21/23 External Audit Update**

The Committee received a verbal update from the External Auditors.

The External Auditor advised the Committee that there were significant delays with Local Authority audits nationwide. The Department for Housing, Levelling Up and Communities (DHLUC) would be working with stakeholders including the National Audit Office, the Financial Reporting Council, Chartered Institute of Public Finance and Accountancy, and accounting firms to look at what could be done to progress the works. Options that could be considered included revisions to the code of audit practice, consideration of the degree of importance users place on certain aspects of accounts, and a thematic review around non-investment assets in the public sector. It was expected that any changes would be in place by end of December 2023 at the earliest. The External Auditor advised that they did not expect to start work until 2024.

The Deputy Chief Executive stated that consideration needed to be given to what could be done in relation to the 2022/23 accounts so that the new incoming auditors would have a confirmed opening balance.

The Committee queried if there was any work that could be done while awaiting the guidance from DHLUC. The External Auditor advised that they would continue to engage with officers to explore any work that could be started ahead of the guidance.

The Committee requested that their concern was recorded and reported to Corporate Policy and Resources Committee that there was no timetable going forward and that there was significant risk in not knowing when the external audit would be conducted.

The Committee **resolved** to note the update.

### **22/23 Annual Governance Statement 2022-23**

The Committee received a report from the Deputy Chief Executive to approve the draft Annual Governance Statement.

The Committee requested clarification over a statement in the report which indicated that the external auditors could now begin their work on the outstanding accounts, which contradicted the report from the External Auditor. The Deputy Chief Executive advised that at the time of writing the statement was correct in its expectations. The External Auditor advised that changes to the statement could be made and that it should take into account events up until the point the accounts would be signed off.

The Committee **resolved** to approve the draft Annual Governance Statement subject to any further amendments in conjunction with the Chair of Audit Committee and endorse the improvement actions identified in the Statement

### **23/23 KGE Accounts Year End 31 March 2022**

The Committee received a report from the Chief Accountant on the audited accounts for Knowle Green Estates Ltd for year end 31 March 2022.

The Committee queried why the BlueBox system was used without proper testing and were advised that extensive evaluation was involved and integration issues would be addressed going forward.

The Committee **resolved** to note the report

### **24/23 SDS Accounts Year End 31 March 2022**

The Committee received a report from the Chief Accountant on the audited accounts for Spelthorne Direct Services (SDS) Ltd for year end 31 March 2022.

The Committee queried the expected future turnover and whether there would be any governance changes. The Chief Accountant advised the turnover was expected to be above £1m in the next two to three years. In terms of governance, consideration could be given to including non-executives and the possibility for an independent Chief Executive. As SDS is part of a group set of companies, the Deputy Chief Executive and Section 151 Officer would need to retain control over the finances.

The Committee asked if there was any Corporation Tax to be paid and were advised that there should not be due to Enterprise Allowance and the purchase of vehicles.

The Committee were advised that consideration would be given to have a Member on the board of SDS.

The Committee **resolved** to note the report.

### **25/23 SBC Accounts Year End 31 March 2023**

The Committee received a report from the Chief Accountant on the draft unaudited financial statements for 2022-23.

The Chief Accountant advised the Committee that while there were some issues with the report, the accounts represented a fair and true account of the financial position of the Council. The Chief Accountant informed the Committee that three new members of staff joined the Finance Team between 1 March 2023 and 17 April 2023 and made an important impact which

enabled the accounts to be published by 31 May 2023. The Chief Accountant extended his thanks to those staff members.

The Chief Accountant highlighted the valuation change and stated that while this was a large change, it only represented a paper loss and would only impact the council if they decided to sell the assets.

The Committee queried what assurance there was that issues identified in the accuracy of the accounts would not be repeated in subsequent years. The Chief Accountant advised that they were now able to produce reports directly from Centros rather than a spreadsheet. The Deputy Chief Executive also reiterated that the Finance Team had been considerably strengthened.

The Committee queried why some assets were revalued on a five-yearly basis and were advised that assets under £1m were revalued every five years, those over £1m would be revalued yearly.

The Committee **resolved** to note the report and the draft unaudited financial statements, which were published on the Council's website on 31 May 2023, in accordance with the statutory deadline.

### **26/23 Committee Forward Plan**

The Committee considered its Work Programme for the remainder of the 2023-2024 Municipal year.

A member noted that future updates from External Auditors were missing from the Forward Plan and requested these be added.

**Resolved** that the Committee Work Programme for the remainder of the 2023-2024 Municipal year with the inclusion of updates from External Auditors, be approved.

**Meeting ended at 22:24**