

**Minutes of the Audit Committee  
28 January 2025**

**Present:**

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

Councillors:

J.R. Boughtflower	L. E. Nichols	P.N. Woodward
J.P. Caplin	H.R.D. Williams	

Independent Member: P. Briggs

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

**1/25 Apologies and Substitutes**

There were none.

**2/25 Minutes**

The minutes of the meetings held on 26 September 2024 and 4 December 2024 were approved as a correct record.

**3/25 Disclosures of Interest**

Councillor Nichols advised that he was a Director of Knowle Green Estates Ltd.

**4/25 Committee Forward Plan**

The Committee considered the Forward Plan for future Committee business.

Terry Collier, Deputy Chief Executive put forward the suggestion, if Committee were agreeable to schedule an Extraordinary Audit Committee in February 2025 before the deadline for the publication of audited accounts for 2023/24 on 28 February 2025. Business at this meeting would include the following items:

- Final Auditor's Annual Report on Spelthorne Borough Council 2023-24
- Detailed action plans to address recommendations and expand on management responses within the Auditor's Annual Report and the

Audit Finding's Report 23-24. It was intended for this action plan to be presented to every Audit Committee for review.

- An amendments Summary to the Spelthorne Borough Council Draft Statement of Accounts 2023-24
- Accounting policies for 2024-25 final accounts

The date of the Extraordinary Committee would need to be confirmed in consultation with external colleagues and Chair of Audit Committee.

Natalie Jerams, Deputy Head of the Southern Internal Audit Partnership relayed the message that the following items were due to be considered at the 08 May 2025 Audit Committee and 10 July 2025:

- Internal Audit Plan 2025-26
- Internal Audit Charter 2025-26
- Internal Audit Progress Report
- Internal Auditor's Annual Opinion

The Committee **resolved** to note the **Forward Plan** and agreed the proposal to schedule an Extraordinary Audit Committee in February 2025.

## **5/25 Internal Audit Progress Report**

The Committee received a report from Natalie Jerams, Deputy Head of Southern Internal Audit Partnership (SIAP) on the Internal Audit Progress Report for December 2024 (The period covered is from April 1, 2024, to March 31, 2025). Punita Talwar, Audit Manager (SIAP) introduced this report which informed the Audit Committee of the progress in internal audit activities. The report highlighted compliance with the Accounts and Audit Regulations 2015 and updates on the audit plan progress. Due to capacity issues related to the Best Value Inspection (BVI), five reviews had been delayed to Q4. Despite deferrals on some reviews, sufficient assurance work remained to provide the annual opinion on governance, risk, and control. The report also addressed financial management, risk management, and legal compliance, emphasising a risk-based approach and key considerations for equality, diversity, and sustainability. The status of legacy internal audit recommendations was discussed, with nine outstanding overdue actions. Adjustments to the audit plan were made in consultation with the Management Audit Team (MAT), and progress will be monitored in preparation for the annual opinion due in July 2025.

The Committee queried the improvement of reviews since the previous progress report in September 2024. The Deputy Head, Southern Internal Audit Partnership confirmed that several reviews had been completed or were near completion. The Committee further queried whether any adjustments to the progress report were required in light of the recent Findings issued by Grant Thornton in their Interim Auditor's Annual Report 23-24. It was

confirmed that any necessary changes would be reviewed and implemented into the internal audit plan. Engagement with Q4 reviews was ongoing, and the plan was on track for year-end delivery, however should there be any unprecedented delays, Management Team and the Audit Committee through the Chair and Vice-Chair would be advised accordingly.

The Committee **resolved** to agree they had been informed and assured of the Internal Audit Progress Report. (August 2024).

## **6/25 Implementation of the Global Internal Audit Standards**

Natalie Jerams, Deputy Head of Southern Internal Audit Partnership presented the report on the implementation of the Global Internal Audit Standards (GIAS), which will replace the Public Sector Internal Audit Standards from April 1, 2025. The report highlighted the key differences between the existing standards and the new GIAS, emphasising the need for compliance to ensure effective internal audit functions. The Southern Internal Audit Partnership had conducted a self-assessment and developed an action plan to align with the new standards. Engagement with senior management and the Audit Committee will continue to refine the Internal Audit Strategy and performance measures. There were no direct financial implications, but effective internal audit was crucial for risk management.

The Committee **resolved** to agree they had been informed and assured of the pending implementation of the Global Internal Audit Standards.

## **7/25 Interim Auditor's Annual Report 23-24**

The Committee received a report from Grant Thornton on the Interim Auditor's Annual Report for the year ended 31 March 2024. This report brought together a summary of all the work undertaken for Spelthorne Borough Council during 2023-24. The core elements of the report was the issuing of an opinion on the financial statements, the commentary on value for money (VFM) arrangements and a the consideration of whether there were any issues arising during the work that required use of auditor powers. Joanne Brown, Audit Partner at Grant Thornton provided an overall summary of their Value for Money assessment of the Council's arrangements which focused on a criteria consisting of Financial Sustainability, Governance and improving Economy, Efficiency and Effectiveness. A risk assessment and Auditor judgement on arrangements was issued which highlighted significant weaknesses in arrangements identified and key recommendations were made.

The report highlighted that a qualified audit opinion on the 2023-24 financial statements was expected to be issued on conclusion of the work set out in the Audit Findings Report. The opinion will be qualified under the backstop legislation, and recent year accounts having been disclaimed under the backstop arrangements. In relation to use of auditor's powers, as the external

auditor, Grant Thornton were likely to make statutory recommendations under schedule 7 of the Local Audit and Accountability Act 2014 given the number of significant weaknesses that had been identified in this report, together with the Audit Finding's report.

The Committee queried the implications of publishing this paper as a public interest report. The representative from Grant Thornton clarified that under auditor's powers, public interest reports were initiated under separate circumstances and the preferred route in this case was to make statutory recommendations to the audited body to be considered and responded to publicly, and not to issue a public interest report.

The Committee raised concerns regarding various narratives in the report, particularly around the governance weaknesses identified regarding member behaviour and actions which were not substantiated. The representative from Grant Thornton responded by clarifying that interviews were undertaken with officers and a couple of councillors to gather evidence to present observations in the report. The narrative in some sections would be relooked and possibly adjusted in the final iteration of the Auditor's Annual Report. Other members agreed that some of the narrative provided in the governance weaknesses was a true reflection however was not entirely accurate. Members generally discussed the need for better scrutiny arrangements at the Council, and that this report should be highlighted to all Councillors and made aware of its importance.

As with the Audit Finding's report, the Council's Management Team proposed to follow the same approach by adopting a detailed action plan be presented to this Committee at all future meetings to address the key recommendations from Grant Thornton.

It was proposed by Councillor Howkins, seconded by Councillor Nichols and **resolved** to suspend Standing Order 38.3 to continue the meeting beyond three hours.

It was proposed by Councillor Boughtflower and seconded by Councillor Woodward to make an amendment to the second recommendation to approve the management responses as set out in the report, in principle, subject to seeing more detailed and refined responses at an Extraordinary Audit Committee in February 2025.

The Committee **resolved** to agree the amendment to the original motion.

The Committee **resolved** to:

1. Accept the Interim Auditor's Annual Report 23-24
2. Approve the management responses as set out in the report, in principle subject to seeing more detailed and refined responses at an Extraordinary Audit Committee in February 2025.

## **8/25      Audit Finding's Report 23-24**

The Committee considered a paper from Grant Thornton on the Audit Findings for Spelthorne Borough Council for the year ended 31 March 2024. The report summarised the key findings and other matters arising from the statutory audit of Spelthorne Borough Council and the preparation of the Group and Council's financial statements for the year ended 31 March 2024. Certain issues were encountered as part of this process, which included the Council not having had an external audit for 5 years and the increased requirements of the audit which had evolved over that period. As sufficient and adequate evidence was not obtained to form an opinion on the 2023/24 accounts, a disclaimer of audit opinion was issued in accordance with the audit backstop legislation. Joanne Brown, Audit Partner at Grant Thornton provided a summary of the key headlines detailed within the report, the significant risks highlighted in the financial statements, the Value for Money arrangements and Independence considerations. The report also featured appendices on a communication plan to those charged with governance, an Action plan on the Audit of Financial Statements, Follow up of prior year recommendations, and other key areas of audit issues identified alongside developments and a summary of fees.

One of the key findings in the report was related to the insufficient capacity and capability within the existing council financial team to produce suitable accounts for audit with accompanying audit evidence. Spelthorne's Management Team acknowledged the pressures on the Finance Team and indicated plans to submit significant budget growth to support the team which would be subject to Council agreement. The impact of the Mole-Valley Financial Partnership was also discussed, which had not worked out as expected, however, management clarified we would decouple from this arrangement very shortly and initiate a restructure of the team. Additional training would also be offered to staff on working papers, journals, the requirements of external auditors and undertaking a matching exercise of assets and liabilities.

As a way to address recommendations and risks in the report, the Deputy Chief Executive, Terry Collier suggested the possibility of scheduling an Extraordinary Audit Committee (in agreement with committee members) to bring back detailed Action Plans, which combined together the Management Responses in both the Audit Finding's and Interim Auditor's Annual Reports 23-24. The Action Plans were intended to be presented in a way to enable the Committee to then track progress (such as with a RAG system) with the Action Plans coming back to be reviewed at every meeting of the Audit Committee. At the same Extraordinary Audit meeting, a schedule of the amendments made to the draft 2023-24 Statement of Accounts would also be compiled.

The Committee extended thanks to Grant Thornton for their thorough finding's and reinforced the point that many issues highlighted in the report would have

been detected if earlier external audits had taken place. Members raised concerns about tracking actions and the impact of Local Government Reorganisation on the finance team's work respectively. The Management Team confirmed that despite reorganisation plans, internal issues including the performance of the Finance Team will be prioritised. Committee members also expressed shock at the lack of training and resources, calling for immediate action and regular updates to Councillors on progress. The general discussion amongst members underscored the need for continuous staff development, better evidence for decision making, and transparency on issues with all members across the Council.

It was proposed by Councillor Nichols and seconded by Councillor Boughtflower to make an amendment to the second recommendation to approve the management responses as set out in the report, in principle, subject to seeing more detailed and refined responses at an Extraordinary Audit Committee in February 2025.

The Committee **resolved** to agree the amendment to the original motion.

The Committee **resolved** to:

1. Accept the Audit Findings Report 23-24
2. Approve the management responses as set out in the report, in principle subject to seeing more detailed and refined responses at an Extraordinary Audit Committee in February 2025.

## **9/25      2023-24 Audited Accounts for KGE**

Paul Taylor, Chief Accountant presented the audited financial statements for Knowle Green Estates (KGE) for the year ending March 31, 2024. The KGE Board had approved the accounts on October 8, 2024, following an unqualified audit report. The financial statements showed a loss of £661,583, mainly due to a £499k depreciation charge, but total comprehensive income was £1,237,375, and total equity increased to £5,649,214. Overall, the audit revealed no significant findings or internal control issues.

The Committee extended their thanks to the KGE Board for their continued contributions to the company which provided key housing support to residents in the borough.

The Committee noted the substantial increase in repairs and maintenance costs and queried whether this was a one off or permanent increase in costs. Terry Collier, Deputy Chief Executive explained that this was linked to planned maintenance works required for Local Authority Housing Fund properties which had been transferred to KGE. A further round of funding was expected in due course to cover additional expenses. A more detailed response on this point would be issued to Committee members in writing.

Councill Nichols **abstained** from the vote on the recommendation for this report due to his conflict of interest as a Director of KGE.

The Committee **resolved** to note the report and in particular the unqualified audit report.

### **10/25 2023-24 Audited Accounts SDS**

Terry Collier, Deputy Chief Executive presented the audited financial statements for Spelthorne Direct Services Ltd (SDS) for the year ending March 31, 2024. The SDS Board had approved the accounts on August 16, 2024, following an unqualified audit report. The company made a profit of £46k, with turnover increasing to £580,265. The audit revealed no significant findings or internal control issues. The report emphasizes the importance of ongoing financial oversight and confirms that SDS is financially sound. The accounts had been filed with Companies House, and there was no Corporation Tax to pay.

The Committee extended their thanks to the SDS board members for their continued contributions to the company which provided important commercial waste services in the borough.

The Committee questioned the legality for two Council officers to be appointed to the SDS Board of Directors. This was in consideration of the recommendations received in the Interim Auditor's Annual Report 23-24 on perceived conflicts of interest with a similar arrangement on a separate company board which was affiliated with the Council. The Interim Monitoring Officer explained that SDS was a smaller company and there was a smaller level of risk. It was also highlighted that both officers on the SDS Board did not come under a statutory officer position. Moreover, a Council document was also being prepared on managing conflicts of interest which was intended to address concerns going forward.

The Committee resolved to note the report, and particularly the unqualified audit report.

### **11/25 Corporate Risk Register (Corporate Risk Management)**

Due to time constraints, this item was not discussed at the 28 January 2025 meeting and will instead be considered at a carry-over Audit Committee meeting on 25 February 2025.

### **Discussions recorded at the Carry-over Audit Committee, 25 February 2025:**

During the Carry-over Audit Committee meeting on 25 February 2025, the Corporate Risk Register report was presented by Lee O'Neil, Deputy Chief Executive. The report highlighted significant strategic risks and issues, which were to be presented to the Corporate Policy and Resources Committee for

wider reporting and action across other Committees. Key updates to the report included Surrey being in the first wave of Local Government Reorganisation, leading to changes in risk category nine. Risk category ten had also been updated to reflect actions required to address recommendations made in Grant Thornton's external Audit reports. It was noted that previously existing risks had not been materially amended and remained the same.

Financial resilience and Commercial Assets saw an increased risk score due to longer-term sinking fund modelling. The Committee expressed concerns over the modelling explanation, suggesting issues with lease renewals and timings should be detailed in the risk register. It was agreed by officers to expand the modelling explanation and clarified that the sinking fund process was not yet complete, with further reports and external expertise being sought.

The Committee observed that recruitment and retention risks had increased sharply due to reorganisation, and members questioned the rationale behind addressing the external audit recommendations through recruitment. The Deputy Chief Executives acknowledged the challenging environment and the need for skilled staff, while emphasising the importance of various recruitment methods. Housing supply and demand risks had also increased from risk score 6 to 12, with discussions focused on the worsening market and the need for clearer housing figures. It was agreed to make these figures more prominent.

The Independent Member inquired about new additions to the register, such as external audit findings, and the anticipated changes expected before the next committee meeting. It was suggested to consolidate risk subject areas to focus on main issues. Members also proposed using PowerBI to inform members about live movement on specific risks, and the Deputy Chief Executive confirmed this intention, detailing IT trials in progress and the need to tidy the register first.

The Committee supported the proposed changes to Appendix C through slimming down the register to 16 subject areas and keeping comments current. The committee agreed to make clear to Corporate Policy and Resources Committee that the register was subject to significant modification following external audit report additions.

The Committee **resolved** to:

1. Consider the significant strategic risks and issues highlighted in this report and present these to the Corporate Policy and Resources Committee, ensuring continued wider reporting of the Corporate Risk Register and actions across other Committees.
2. Consider the proposed changes to the risk categories/risk subject areas outlined in Appendix C



**12/25 Update on use of Regulation of Investigatory Powers Act Policy (RIPA Policy)**

Linda Heron, Interim Monitoring Officer presented the update on the use of the Regulation of Investigatory Powers Act (RIPA) for the period from January 1 to December 31, 2024. She informed the Audit Committee that there were no authorisations for directed surveillance or the use of Covert Human Intelligence Sources during this period. The RIPA Policy, approved in November 2023, remained under regular review to ensure compliance with legal requirements and transparency. The Council continued to adhere to the RIPA guidelines, ensuring that any surveillance activities were conducted lawfully and with respect for individuals' rights. The next RIPA update will be provided to the Audit Committee in January 2026.

The Committee **resolved** to acknowledge that there has been no use of RIPA powers during the period 1 January to 31 December 2024.

**13/25 Local Audit Strategy Consultation Response**

Terry Collier, Deputy Chief Executive introduced this item which detailed plans set out in the recent letter from Jim McMahon OBE MP, Minister of State for Local Government and English Devolution, who announced the launch of a new strategy to overhaul the local audit system in England. The letter emphasised the importance of stakeholder participation in the consultation process for the proposed local audit reforms. The consultation aimed to gather professional insights and feedback on the potential delivery of local audit through a mixed market, which would combine private and public audit services. This consultation was open for six weeks, ending on January 29, 2025. The Council had prepared a draft response on the Local Audit Strategy Consultation which featured 32 questions.

The Committee agreed that the document of our draft responses to the consultation were well reasoned and noted that any additional comments can be communicated during the process.

The Committee **resolved** to note the Local Audit Strategy Consultation draft response on behalf of Spelthorne Borough Council.

**14/25    Actions Arising From The Meeting**

**Actions recorded at the 28 January 2025 meeting:**

-The Committee requested that Grant Thornton issued searchable PDF versions of the Interim Auditor's Annual Report and Audit Finding's Report 23-24

-The Committee agreed to the scheduling of an Extraordinary Audit Committee in February 2025

-The Committee requested that the Auditor's Annual Report and Audit Finding's Report be shared to all Councillors and their importance to be emphasised.

**Actions recorded at the 25 February 2025 meeting:**

- The Committee requested that figures on the latest housing register numbers be made more prominent in the relevant Corporate Risk Register subject areas.