



Please reply to:

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Date: 30 June 2025

Notice of meeting

Audit Committee

Date: Thursday, 10 July 2025

Time: 7.00 pm

Place: Council Chamber, Council Offices, Knowle Green, Staines-upon-Thames TW18 1XB

To the members of the Audit Committee

Councillors:

J. Button (Chair)

K. Howkins (Vice-Chair)

J.P. Caplin

L. E. Nichols

D. Saliagopoulos

H.R.D. Williams

P.N. Woodward

Independent Member: P. Briggs

Substitute Members: Councillors M. Arnold, C. Bateson, J.R. Boughtflower and T. Burrell

Councillors are reminded that the Gifts and Hospitality Declaration book will be available outside the meeting room for you to record any gifts or hospitality offered to you since the last Committee meeting.

Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

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Agenda

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|------------|---|----------------------|
| 1. | Apologies and Substitutes

To receive any apologies for absence and notification of substitutions. | |
| 2. | Minutes

To confirm the minutes of the meeting held on 8 May 2025 as a correct record. | 5 - 12 |
| 3. | Disclosures of Interest

To receive any disclosures of interest from Councillors in accordance with the Council's Code of Conduct for members. | |
| 4. | Committee Forward Plan

To consider and approve the work programme for the municipal year | 13 - 18 |
| 5. | Internal Audit Charter 2025-26

Committee is asked to approve the Internal Audit Charter 2025-26. | 19 - 44 |
| 6. | Internal Audit Progress Report

To inform and assure Audit Committee of Internal Audit Progress. | 45 - 60 |
| 7. | External Audit Plan

To consider the External Audit Plan for year ending 31 March 2025. | 61 - 122 |
| 8. | Corporate Risk Register (Corporate Risk Management)

The Committee is asked to consider the significant strategic risks and issues highlighted in this report, and present these to Corporate Policy and Resources Committee, ensuring continued wider reporting of the Corporate Risk Register and actions across other Committees. | 123 - 176 |
| 9. | Update on Building Control

The Committee is asked to note the update on the Building Control service and challenges. | 177 - 192 |
| 10. | Approach to Risk Management Training

To receive an introduction and approach to Risk Management Training from Rob Winter. | Verbal Report |

- | | | |
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| 11. | CIPFA Audit Committee Self-Assessment | 193 - 354 |
| | <p>The Committee is asked to approve commencing a Self-Assessment review of the Committee and associated arrangements against CIPFA Guidance and checklist and broader best practice for Audit Committees.</p> | |
| 12. | Argus Software Discussion | Verbal
Report |
| | <p>To receive an update on the presentation on Argus Software given to members of the Committee.</p> | |

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**Minutes of the Audit Committee
8 May 2025**

Present:

Councillor J. Button (Chair)

Councillors:

J.R. Boughtflower

L. E. Nichols

P.N. Woodward

J.P. Caplin

H.R.D. Williams

Substitutions: Councillor D. Saliagopoulos

Apologies: Councillor K. Howkins

20/25 Apologies and Substitutes

Apologies were received by Councillor K. Howkins. Councillor D. Saliagopoulos was in attendance as her substitute.

21/25 Minutes

The minutes of the meetings held on 28 January 2025 and 25 February 2025 were approved as a correct record.

22/25 Disclosures of Interest

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

Councillor Woodward advised that he was a Director of Spelthorne Direct Services.

23/25 Committee Forward Plan

The Committee considered the Forward Plan for future Committee business.

The Chair proposed adding the process of conducting a self-assessment against the CIPFA checklist for Audit Committees to the Forward Plan for the Committee meeting on 10th July 2025.

The Chair also noted that it is likely the BDO Value for Money reports will be available for review by the 10th July Committee meeting.

The Committee requested that a demonstration of the Argus Software be held in a separate session and an agenda item to discuss the software be added for the next Committee meeting.

The Committee **resolved** to note the Forward Plan for future Committee business subject to the inclusion of additional items as agreed.

24/25 Internal Audit Charter and Internal Audit Plan 2025-26

The Committee considered the Internal Audit Charter and Internal Audit Plan for 2025-26. The Charter outlined the mandate, organisational position, reporting relationships, and scope of work for the internal audit function, ensuring compliance with the Global Internal Audit Standards effective from April 2025. The Plan, developed through a risk-based approach, aligned with the Council's strategic priorities and includes high and medium priority reviews.

The Deputy Head of the Southern Internal Audit Partnership updated the Committee on the timing adjustments for some audits, including bringing forward the review on decision-making and accountability. Additionally, an update was provided on changes within the senior management team at Southern Internal Audit Partnership (SIAP). Due to the upcoming retirement of a senior member of SIAP, strategic lead and audit manager responsibilities had been realigned. Natalie Jerams will no longer be the Strategic Lead for Spelthorne Borough Council and Iona Bond will take over this role. Joanne Barrett will be the new Audit Manager to replace Punita Talwar. One member expressed disappointment that the Audit manager (previously employed by Spelthorne as the Internal Audit Manager) would not continue in post for Spelthorne, emphasising the need for consistency and someone familiar with the Council. Natalie assured that herself and Punita Talwar will remain part of the management team and ensure a smooth handover to the incoming colleagues.

During the discussion, the Committee inquired about the Chief Internal Auditor's role under Section four of the Charter, and it was clarified that Iona Bond will assume this role, previously held by Natalie Jerams. Concerns were raised about the Charter's wording not reflecting the partnership with an external audit company. It was explained that SIAP discharged the functions of the Chief Internal Auditor similarly to an internal auditor within the organisation. It was suggested to clarify terms such as "Chief Internal Auditor" in the document, and it was agreed to update the Charter to make roles clearer and bring it back for the next Committee meeting for sign-off.

Further discussions included queries regarding the separation of the audit of Knowle Green Estates from the Governance of companies at Knowle Green Estates, to which Natalie explained the rationale for the separate reviews. There were also discussions about the use of Blue Box software in the context of commercial property management, which Natalie confirmed would be considered as part of the commercial property review. Other members inquired about contingency reviews, specifically the use of agency staff, and it was highlighted that this review addressed potential risks associated with recruitment and retention challenges across the organisation. It was finally acknowledged that Commissioners may provide direction on some audit areas, and plans are subject to change.

The Committee **resolved** to:

1. Suggest amendments to the report and agreed to consider and approve at the next Committee the final Internal Audit Charter 2025-26
2. Approve the Internal Audit Plan 2025-26

25/25 Internal Audit Progress Report

The Committee received the Internal Audit Progress Report from the Southern Internal Audit Partnership, outlining activity against the 2024/25 internal audit plan. The report confirmed that progress had been affected by the ongoing Best Value Inspection, which concluded in January 2025 and reported in March. Despite deferrals of some audit reviews to accommodate officer capacity and avoid duplication, sufficient work remains to support the Chief Internal Auditor's annual opinion. The Committee was informed of the status of outstanding management actions, resourcing considerations, and emerging issues impacting governance, risk management, and internal control. The report also assured members that audit activity continued to be risk-based, aligned with corporate priorities, and responsive to changing circumstances

The Audit Manager reported that the Building Control audit had revealed issues with preparedness and compliance due to insufficient reporting options and unavailable data. Despite this, the Deputy Chief Executive clarified that the Council was complying with mandatory regulations as best as possible within the current framework, but recognised that improvements were needed. An update on the Building Safety Regulator audit will be provided at the July Audit Committee meeting. Separately, concerns were raised about the volume and pace of work, with the need for more reliable information across various areas. It was confirmed that the progress report at the July meeting will cover 10 internal audit reviews.

The Committee acknowledged that this had been a transitional year with SIAP as internal auditors, and it was crucial that internal audit comments informed the Annual Governance Statement, due by the end of June 2025. Resource pressures, including local government reorganisation, were noted.

The Committee **resolved** to agree they had been informed and assured of Internal Audit progress.

26/25 Action Plan to address Annual Audit Report

The Committee received an update on the Action Plan to address the recommendations set out in Grant Thornton's 2023/24 Annual Audit Report. It was confirmed that the plan also aligned with the Best Value Inspection outcomes, and the workstreams were intended to address both sets of recommendations consistently. The report aimed to assure members that actions were progressing within expected timeframes. The report additionally included a summary and full explanation of the key recommendations made in the Annual Audit Report.

In discussion, the Committee queried whether the plan was solely a response to Grant Thornton's report. Officers clarified that while the annual audit was a key driver, the plan was also influenced by the findings of the Best Value Inspection. The Committee requested that full names of lead officers be included in the Action Plan for clarity going forward. Members raised concerns about the accessibility and interpretation of certain Key Recommendations, including KR1.1 which suggested that councillors had full access to Centros. It was agreed this would be referred to the Financial Reporting Group for review, with feedback to be given to the Finance Systems Administrator.

The Committee cautioned against over-refining the plan, noting that potential incoming Best Value Commissioners may seek to reshape it. The Independent Member suggested improving the layout of the plan to include clearer start and completion dates, RAG ratings to track progress, and a sign-off column to be updated at each Committee. The Deputy Chief Executive acknowledged that further refinement was ongoing and noted that some overlaps with Best Value work may lead to a clearer position at the next meeting. The Chair highlighted the need for the Consolidated Action Plan spreadsheet to be shared with members ahead of meetings, which was agreed by officers. In closing, the Committee emphasised the need to move away from paper-based reporting and explore more advanced tools to improve clarity and oversight of the Action Plan.

The Committee **resolved** to:

1. Consider the progress against the action plan and responses to the 2023-24 External Auditor's Annual Audit Report.

The Committee **Adjourned** 20:36 and **Readjourned** at 20:45.

27/25 Action Plan to address Audit Findings Report

The Interim Chief Accountant presented the progress against the Action Plan addressing the Audit Findings Report 2023-24 recommendations. The Action

Plan aimed to improve governance, risk, and accounting control processes. Significant progress had been made, with most actions completed by the target date. Some key developments included the conclusion of the finance partnership with Mole Valley, with Ola Owolabi as the new interim Chief Accountant/Deputy Chief Finance Officer now in post. Regular dialogue with Grant Thornton had been established on a fortnightly basis to review progress. The Committee was asked to note the progress updates and continue receiving regular updates at future meetings to ensure ongoing oversight and improvement in financial reporting and governance.

The Committee inquired about International Financial Reporting Standard (IFRS) 16 issues referenced in the Action Plan. Ola explained that the Council had been advised to reverse its work on IFRS 16 for 2023-24 and undertake a detailed review in 2024-25, aligning with CIPFA code expectations. This involved identifying all leases where the Council was a lessee, lessor, or intermediate lessor, and gathering detailed information for each lease. The Council was expected to implement IFRS 16 in 2024-25, in line with most public sector bodies. The Committee also asked about the state of the fixed asset register. Ola mentioned the introduction of new CIPFA Fixed Asset Register software, to be implemented to reconcile to the Financial Statements. It was noted that the 2023-24 register needs to be updated before data migration. The Committee questioned the quality assurance measures for the migration process. Ola responded that the Finance team was working with the Assets team to ensure proper capture of assets.

The Committee **resolved** to agree they had been informed and assured as to the progress against the Action Plan and responses to the 2023-24 External Auditor's Audit Findings Report.

28/25 Consolidated Action Plan

The Deputy Chief Executive introduced the Consolidated Action Plan to address external reviews. The plan integrated recommendations from various external reviews, including the Public Interest Report 2022, CIPFA Capital Assurance Report 2023, LGA Corporate Peer Challenge Follow Up Review 2023, and the Best Value Inspection Report 2025. The plan aimed to ensure progress in improving governance, financial processes, risk management, and value for money. Key actions included developing a comprehensive improvement and recovery plan, enhancing the finance function, and addressing procurement efficiency. The Plan also emphasised the importance of regular updates to the Audit Committee and Corporate Policy and Resources Committee, with an annual report to full Council.

The Committee thanked the project team and all contributors for their efforts in developing the Action Plan, noting that it had been long requested and was welcomed by the Committee. The Chair echoed this sentiment, recognising the significance of the plan's delivery. The Deputy Chief Executive confirmed that the Committee's appreciation would be relayed to the project team.

The Committee queried the current format of the 'Lead' column, which often included multiple names, and sought clarification on how lead responsibilities were communicated. The Deputy Chief Executive emphasised the importance of clearly identifying both a lead councillor and a lead officer for each action. It was acknowledged that the plan remained under refinement and that feedback on identifying key responsible individuals would be considered as part of the ongoing process.

The Committee sought clarification regarding reference CR8 within the Action Plan, specifically querying the role of the Chair of the Community Wellbeing Committee in the planning application process. The Deputy Chief Executive confirmed that a response would be provided following the meeting.

The Committee **resolved** to consider the draft Consolidated Action Plan relating to recommendations made in key external reviews of the Council and acknowledged the progress to date.

29/25 Corporate Risk Management

The Committee received a report on the Corporate Risk Register from the Deputy Chief Executive. The report highlighted the Council's continued efforts to identify, monitor, and manage its most significant strategic risks in relation to the delivery of corporate priorities. Members were advised that the Register had been revised to reflect updated risk scores and subject area consolidations, as previously agreed by the Committee, reducing the Register to 16 key areas. New risks, including the Council's response to external audit and inspection recommendations and the implications of the proposed local government reorganisation, were noted. The Register will continue to be reviewed regularly in line with the Audit Committee cycle, and further updates will be made as required, particularly in light of potential Government-led intervention following the recent Best Value Inspection.

In reviewing the Corporate Risk Register, some members raised concerns regarding the high scoring of certain risks related to Local Government Reorganisation, suggesting that a score of 16 may be premature given the current uncertainty around its impacts. The Deputy Chief Executive noted that the level of uncertainty itself was contributing to the elevated risk score and that scores could be reviewed once greater clarity emerges.

The Committee questioned whether the identified risk owners were appropriate, suggesting that responsibility should lie with those who have operational oversight. In response, the Deputy Chief Executive, Lee O'Neil, confirmed that operational officers do provide input, with an emphasis placed on lead officer accountability. A member of the Committee observed that some references in the report, including to the Business, Infrastructure and Growth Committee (BIG) and Ashford Victory Place site, appeared outdated and required revision. Another member also proposed including a "last updated" field for each risk category to improve clarity and transparency. Lee O'Neil agreed to explore this enhancement across all risk areas.

The Committee **resolved** to 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.

30/25 Counter-Fraud, Bribery and Corruption Strategy

The Committee received an updated version of the Council's Counter Fraud, Bribery and Corruption Strategy, which sets out the Council's ongoing commitment to preventing and addressing fraudulent activity. Members were advised that the strategy was reviewed annually in line with best practice and incorporated guidance from CIPFA and national counter-fraud frameworks. Minor revisions were proposed following feedback from senior officers, reflecting recent operational changes and aligning with good governance principles. The strategy had last been reviewed in March 2024, but due to the transition of internal audit services to the Southern Internal Audit Partnership, the updated version had not yet been formally adopted. The Committee approved the proposed amendments and agreed to recommend to Council that the revised strategy be incorporated into the Constitution.

The Committee noted that it was encouraging to see training being made available. The increasing prevalence of fraudulent cyber threats, including recent high-profile incidents affecting major retailers highlighted the importance of maintaining robust awareness and preparedness in this area.

The Committee **resolved** to:

1. Acknowledge the annual review of the Council's Counter Fraud, Bribery and Corruption Strategy;
2. Approve the proposed amendments to the Council's Counter Fraud, Bribery and Corruption Strategy; and
3. Recommend to the Council that the Constitution be updated with the revised Counter Fraud, Bribery and Corruption Strategy

Meeting ended at 21:44

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Spelthorne Borough Council Services Committees Forward Plan and Key Decisions

This Forward Plan sets out the reports which the Audit Committee expect to consider over the forthcoming months.

Any topics identified during consideration of the business at this meeting will need to be included in the above Forward Plan.

Other issues Members wish to raise for consideration at the next or any future meeting and agreed by the Committee, may be included in the Forward Plan.

External audit may have one or two reports that arise from time to time which are not possible to predict in advance but will be incorporated into the Forward Plan or appear on the agenda as appropriate. In the event of the Council receiving external auditor reports between scheduled meetings of the Committee it may be necessary to call additional meetings of the Committee.

Managers may be required to attend the Committee, similarly to that resolved in Minute No. 227/06, to explain why they have not implemented the recommendations of Internal Audit. It is not possible to predict these circumstances, but they will be dealt with as and when they arise either by incorporating into the Forward Plan or appearing on the agenda as appropriate.

Please direct any enquiries about this Plan to CommitteeServices@spelthorne.gov.uk.

Spelthorne Borough Council

Service Committees Forward Plan and Key Decisions for 1 July 2025 to 25 September 2025

Anticipated earliest (or next) date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Audit Committee 10 07 2025	Approach to Risk Management Training	Key Decision	Public	Terry Collier, Deputy Chief Executive
Audit Committee 10 07 2025	Argus Software Discussion	Non-Key Decision	Public	Terry Collier, Deputy Chief Executive
Audit Committee 10 07 2025	CIPFA Audit Committee Self-Assessment	Non-Key Decision	Public	Terry Collier, Deputy Chief Executive
Audit Committee 10 07 2025 Corporate Policy and Resources Committee 08 09 2025	Corporate Risk Management	Non-Key Decision		Lee O'Neil, Deputy Chief Executive
Audit Committee 10 07 2025	External Audit Plan	Non-Key Decision	Public	Joanne Brown, Audit Partner, Grant Thornton
Audit Committee 10 07 2025	Internal Audit Charter	Non-Key Decision	Public	Natalie Jerams, Deputy Head of Southern Internal Audit Partnership
Audit Committee 10 07 2025	Internal Audit Progress Report	Key Decision	Public	Natalie Jerams, Deputy Head of Southern Internal Audit Partnership

Date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Audit Committee 10 07 2025	Update on Building Control Audit	Non-Key Decision	Public	Heather Morgan, Group Head - Place, Protection and Prosperity, Lee O'Neil, Deputy Chief Executive
Audit Committee 25 09 2025	Action Plan to address Annual Audit Report	Non-Key Decision		Terry Collier, Deputy Chief Executive, Linda Heron, Group Head - Corporate Governance, Monitoring Officer
Audit Committee 25 09 2025	Action Plan to address Audit Findings Report	Non-Key Decision		Terry Collier, Deputy Chief Executive, Linda Heron, Group Head - Corporate Governance, Monitoring Officer
Audit Committee 25 09 2025	Annual Assessment of Effectiveness of Internal Audit	Non-Key Decision	Public	Terry Collier, Deputy Chief Executive, Linda Heron, Group Head - Corporate Governance, Monitoring Officer
Audit Committee 25 09 2025	Annual Governance Statement 2024-25	Non-Key Decision	Public	Terry Collier, Deputy Chief Executive
Audit Committee 25 09 2025	Annual Internal Audit Conclusion	Non-Key Decision	Public	Natalie Jerams, Deputy Head of Southern Internal Audit Partnership
Audit Committee 25 09 2025	Consolidated Action Plan	Non-Key Decision		Terry Collier, Deputy Chief Executive, Linda Heron, Group Head - Corporate Governance, Monitoring Officer
Audit Committee 25 09 2025 Corporate Policy and Resources Committee 13 10 2025	Corporate Risk Management	Non-Key Decision		Lee O'Neil, Deputy Chief Executive

Date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Audit Committee 25 09 2025	Internal Audit External Quality Assessment To inform and assure members of SIAP's approach for the External Quality Assessment against the Global Internal Audit Standards.	Non-Key Decision	Public	Natalie Jerams, Deputy Head of Southern Internal Audit Partnership
Audit Committee 25 09 2025	Internal Audit Progress Report	Non-Key Decision	Public	Natalie Jerams, Deputy Head of Southern Internal Audit Partnership
Audit Committee 25 09 2025	Internal Audit Strategy To approve the Internal Audit Strategy.	Non-Key Decision	Public	Natalie Jerams, Deputy Head of Southern Internal Audit Partnership
Audit Committee 25 09 2025	Value for Money Reports - BDO	Non-Key Decision	Public	Terry Collier, Deputy Chief Executive
Audit Committee 27 11 2025	Annual Review of Confidential Reporting Code	Key Decision	Public	Linda Heron, Group Head - Corporate Governance, Monitoring Officer
Audit Committee 27 11 2025	Corporate Risk Management	Key Decision	Public	Lee O'Neil, Deputy Chief Executive
Audit Committee 27 11 2025	Improvement and Recovery Plan Progress Updates	Key Decision	Public	Terry Collier, Deputy Chief Executive
Audit Committee 24 02 2026	Audit Findings Report	Key Decision	Public	Natalie Jerams, Deputy Head of Southern Internal Audit Partnership

Date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Audit Committee 24 02 2026	Corporate Risk Management	Key Decision	Public	Christeen Abee, Senior Democratic Services Officer, Lee O'Neil, Deputy Chief Executive
Audit Committee 24 02 2026	Draft Annual Audit Report	Key Decision	Public	Natalie Jerams, Deputy Head of Southern Internal Audit Partnership
Audit Committee 24 02 2026	Improvement and Recovery Plan Progress Updates	Key Decision	Public	Terry Collier, Deputy Chief Executive
Audit Committee 26 03 2026	Counter Fraud, Bribery and Corruption Strategy	Key Decision	Public	Linda Heron, Group Head - Corporate Governance, Monitoring Officer

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Audit Committee

10 July 2025



Title	Internal Audit Charter 2025-26
Purpose of the report	To provide input to and approve
Report Author	Natalie Jerams, Deputy Head of Southern Internal Audit Partnership
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	Community Addressing Housing Need Resilience Environment Services
Recommendations	1. Committee is asked to approve the Internal Audit Charter 2025-26
Reason for Recommendation	In accordance with constitutional requirements the Audit Committee oversees internal audit activity helping to ensure efficient and effective independent assurance arrangements are in place. The approval of the Internal Audit Charter is integral to this.

1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> The Global Internal Audit Standards (GIAS) require all internal audit providers to implement and maintain an 'Internal Audit Charter'. The internal audit charter is defined as 'a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of service, and other specifications' 	<ul style="list-style-type: none"> Regular review and communication of the Internal Audit Charter helps to maintain awareness across senior management and the Audit Committee. It has been updated to reflect the requirements of the new Standards.

This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> To present the Internal Audit Charter 2025/26 to the Management Team and the Audit Committee for approval in accordance with requirements of the GIAS. (See Appendix A) 	<ul style="list-style-type: none"> The Audit Committee to approve the Internal Audit Charter and Internal Audit Plan for 2025/26 at the meeting of 10 July 2025.

- 1.1 The purpose of this report is to provide the Audit Committee with the Internal Audit Charter 2025–26.

2. Key issues

- 2.1 The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

- 2.2 From 1 April 2025, the ‘standards or guidance’ in relation to internal audit are those laid down in the Global Internal Audit Standards (GIAS), Application Note: Global Internal Audit Standards in the UK Public Sector (Application Note) and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector (the Standards).
- 2.3 The Southern Internal Audit Partnership have made all necessary adaptations to its processes, procedures and practices to ensure it is best placed to conform with these requirements with effect from 1 April 2025.
- 2.4 The Standards (6.2) require all internal audit providers to implement and maintain an ‘Internal Audit Charter’. The Internal Audit Charter is defined as ‘a formal document that includes the internal audit function’s mandate, organisational position, reporting relationships, scope of work, types of service, and other specifications’.
- 2.5 The Internal Audit Charter is reported to Audit Committee annually for review and approval and it has been updated to reflect the requirements of the new Standards. A copy is attached at Appendix A.

- 2.6 At its meeting of 8 May 2025, the Audit Committee were presented with the Internal Audit Charter 2025-26 for approval. As part of discussions (as recorded in the minutes of the meeting) members raised concern:

'about the Charter's wording not reflecting the partnership with an external audit company. It was explained that SIAP discharged the functions of the Chief Internal Auditor similarly to an internal auditor within the organisation. It was suggested to clarify terms such as "Chief Internal Auditor" in the document, and it was agreed to update the Charter to make roles clearer and bring it back for the next Committee meeting for sign-off.'

- 2.7 Opportunity has further been taken to update the roles and responsibilities of Senior Management and the Audit Committee to reflect the expectations of the Standards and good practice guidance in the governance of internal audit reports during the year.

Background

- 2.8 During 2023/24, Spelthorne Borough Council undertook a review of options for the delivery of its internal audit service. One such option was a partnership arrangement such as that offered by Southern Internal Audit Partnership (SIAP).
- 2.9 The Council engaged with a number of providers and following a process of due diligence a shortlist was invited to undertake a presentation to the Audit Committee in December 2023 and January 2024.
- 2.10 It was recommended by the Audit Committee on 29 January 2024 that Spelthorne Borough Council join the SIAP.
- 2.11 The SIAP is hosted by Hampshire County Council and constituted under Section 101 of the Local Government Act 1972 under which Spelthorne Borough Council discharges its internal audit service to be undertaken by SIAP.
- 2.12 Spelthorne Borough Council are one of 20 local authorities across Hampshire, West Sussex and Surrey to have joined the SIAP, which include seven other Surrey district & borough councils.

Role of the Southern Internal Audit Partnership

- 2.13 The SIAP delivers a full internal audit service to Spelthorne Borough Council. The named Chief Internal Auditor is Iona Bond, Deputy Head of Southern Internal Audit Partnership. This is articulated within the Internal Audit Charter 2025-26 on page 6 'Responsibility'
- 2.14 The roles and responsibilities of the Chief Internal Auditor, although not exhaustive are listed within the Internal Audit Charter 2025-26 pages 6 and 7 'The Chief Internal Auditor'.

- 2.15 Whilst not a direct employee of the Council, the named Chief Internal Auditor within the Internal Audit Charter is responsible and accountable for the delivery of the internal audit service to the Council in accordance with the Global Internal Audit Standards in the UK Public Sector.
- 2.16 The Chief Internal Auditor is positioned at a level in the organisation that enables internal audit services and responsibilities to be performed independently of management and with objectivity, enabling escalation as appropriate.
- 2.17 Importantly the Chief Internal Auditor reports functionally to the Audit Committee, and organisationally to the Deputy Chief Executive/S151 Officer. These authorities are detailed within the Internal Audit Charter 2025-26 on page 4 'Authority'

3. Options analysis and proposal

- 3.1 The Audit Committee are requested to approve the Internal Audit Charter 2025/26 in line with GIAS, to support the provision of independent assurance to the authority on the adequacy of internal control, governance and risk management arrangements.

4. Financial management comments

- 4.1 Internal Audit is a mandatory function and undertake reviews of functions and systems that are financially material and therefore represent greater risk to the authority. Issues presenting adverse financial consequences or threats to the Council's financial position apply to a range of workstreams on the plan.
- 4.2 To support special investigations (relating to suspected internal fraud or irregularity) there may be a requirement to bring in subject matter experts and Investigators.

5. Risk management comments

- 5.1 The Internal Audit Charter outlines the mandate for internal audit including the delivery of a risk-based approach in line with audit standards (GIAS) and focussed on areas of higher priority that align with corporate priorities and objectives.

6. Procurement comments

- 6.1 None

7. Legal comments

- 7.1 The Global Internal Audit Standards (GIAS) are mandatory further to the Accounts and Audit (England) Regulations 2015. The GIAS require public bodies to maintain an Internal Audit Charter and for this to be approved by the Audit Committee.

8. Other considerations

8.1 None

9. Equality and Diversity

9.1 Equality and diversity are key considerations that feature in the assessment of risk and audit needs.

10. Sustainability/Climate Change Implications

10.1 Sustainability is a key consideration and features in the assessment of risk and audit needs.

11. Timetable for implementation

11.1 Applicable for the period 1 April 2025 – 31 March 2026

12. Contact

Natalie Jerams, Deputy Head of Southern Internal Audit Partnership

natalie.jerams@hants.gov.uk

Background papers: None

Appendices:

Appendix A – Internal Audit Charter 2025-26

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

SPELTHORNE BOROUGH COUNCIL

Internal Audit Charter 2025/26

Prepared By: Natalie Jerams, Deputy Head of Southern Internal Audit Partnership

June 2025

1. Introduction

The [Global Internal Audit Standards](#), issued by the Institute of Internal Auditors and effective in the UK Public Sector from April 2025, guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function.

While the Global Internal Audit Standards apply to all internal audit functions, it is acknowledged that internal auditors in the public sector work in a political environment under governance, organisational and funding structures that differ from those of the private sector.

Consequently, internal audit practitioners working in, or for, the UK public sector are required to apply the Global Internal Audit Standards subject to the interpretations and requirements of the [Application Note: Global Internal Audit Standards in the UK public sector](#), issued by Relevant Internal Audit Standard Setters (RIASS).

In addition, relevant public sector bodies are also required to apply the Chartered Institute of Public Finance & Accountancy (CIPFA) [Code of Practice for the Governance of Internal Audit in UK Local Government](#) which provides a conduit for meeting the essential conditions for governance set out in the Global Internal Audit Standards, tailored for UK local government.

The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector. All SIAP policies and procedures have been reviewed and updated to ensure compliance with these requirements with effect from April 2025.



The Standards require all internal audit providers to implement and maintain an 'Internal Audit Charter'.

The internal audit charter is defined as *'a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of service, and other specifications'*

2. Definitions

The Global Internal Audit Standards in the UK Public Sector apply the following definitions:

The Board – ‘the governing body authorised to provide the internal audit function with the appropriate authority, role, and responsibilities.’ At the Council this shall mean the Audit Committee.

Senior Management – ‘the highest level of executive management of an organisation that is ultimately accountable to the Board for executing the organisation’s strategic decisions, typically a group of persons that includes the Chief Executive Officer or Head of Organisation’. At the Council this shall mean the Management Team (MAT).

3. Internal Audit Mandate

The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

‘5. (1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (a) make available such documents and records; and*
- (b) supply such information and explanations*

as are considered necessary by those conducting the internal audit.

(3) In this regulation “documents and records” includes information recorded in an electronic form.’

From 1 April 2025, the ‘standards or guidance’ in relation to internal audit are those laid down in the Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government.

The scope of internal audit includes both assurance and advisory services covering the entire breadth of the Council, including all activities, assets, and personnel of the organisation.

Fraud investigations may also be commissioned which will be conducted by the Southern Internal Audit Partnership’s Counter Fraud Unit.

4. Authority, Roles and Responsibilities

Authority

The Chief Internal Auditor is positioned at a level in the organisation that enables internal audit services and responsibilities to be performed independently of management and with objectivity, enabling escalation as appropriate.

The Chief Internal Auditor reports functionally to the Audit Committee, and organisationally to the Deputy Chief Executive/S151 Officer, who is a member of the Management Team and has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Chief Executive responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. Audit Committee). Private meetings, without senior management present, are also offered to the Chair of the Audit Committee.

Should organisation structures change, senior management and the Audit Committee will ensure that the reporting line of the Chief Internal Auditor remains with a member of the Management Team and retains the relevant access to Members and officers as outlined above.

It is recognised that the Chief Internal Auditor supervises assurance services related to activities that are managed by the Deputy Chief Executive/S151 Officer to whom the Chief Internal Auditor reports administratively, however, this perceived impairment is mitigated through overview from the Head of Southern Internal Audit Partnership, and the alternative reporting lines detailed above.

Internal audit reporting protocols are in place to ensure that the scope of work and findings for all assignments are reported appropriately and that agreed management actions are approved by senior management.

Every effort will be made to resolve disagreements that may arise during the audit process. However, if, unresolved issues (such as limitations to the scope of work or failure to agree appropriate actions in response to audit findings) are considered by internal audit to fall outside of the Council's risk tolerance, these will be escalated to the relevant Group Head in the first instance and then to the Deputy Chief Executive/S151 Officer, Chief Executive and Audit Committee as deemed necessary.

The Management Team and the Audit Committee authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information. Such access shall be granted on demand and not subject to prior notice.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the Council and other specialised services from within or outside the Council to complete internal audit services.

Role

The role of internal audit is best summarised through its definition within the Global Internal Audit Standards in the UK Public Sector, as:

'An independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.'

Purpose

Internal audit strengthens the Council's ability to create, protect, and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal audit enhances the Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal audit is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards in the UK Public Sector, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within the Council lies with the Deputy Chief Executive/S151 Officer, as the authority's Chief Finance Officer (S151 Officer).

For the Council, internal audit is provided by the Southern Internal Audit Partnership. The Chief Internal Auditor (**Iona Bond**, Deputy Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the Global Internal Audit Standards in the UK Public Sector.

The Chief Internal Auditor

Has the responsibility to:

- At least annually, develop a risk-based internal audit plan engaging with the Audit Committee and Management Team and submit the plan to the Audit Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit Committee and Management Team.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit Committee and Management Team if there are significant interim changes to the internal audit plan.

- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards in the UK Public Sector (and relevant laws and/or regulations).
- Follow up on engagement findings and confirm the implementation of management actions or action plans and communicate the results of internal audit services to the Audit Committee and Management Team periodically and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards in the UK Public Sector and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the Council and communicate to the Audit Committee and Management Team as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure awareness of the Council's relevant policies and procedures, however should such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards in the UK Public Sector, such conflicts will be resolved or documented and communicated to the Audit Committee and Management Team.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services.
- Deliver an annual conclusion that can be used by the Council to inform its annual governance statement. The annual conclusion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Discuss the annual conclusion with the Audit Committee and Management Team and submit the annual conclusion to the Audit Committee for review and approval.

The Chief Internal Auditor will liaise with the external auditors on matters of mutual interest and to seek opportunities for cooperation in the conduct of audit work. The external auditors will have the opportunity to rely on the work of internal audit where appropriate.

A range of internal audit services are provided (Annex 1) in the delivery of the audit plan and to form the annual conclusion. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

Fraud and irregularity

Internal audit will plan and evaluate their work to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

Management is required to report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor so that they can consider the adequacy of relevant controls, evaluate the implication of the fraud on the risk, control and governance processes and consider making recommendations as appropriate.

Internal audit will not carry out investigations unless commissioned to do so and where this is the case, the Chief Internal Auditor will ensure that investigators are appropriately trained in carrying out their responsibilities.

Where there is evidence that Council staff are committing fraud, internal audit will liaise with the Deputy Chief Executive/S151 Officer and the service area concerned.

Internal audit will consider assurance over the Council's Fraud Framework as part of the internal audit planning process.

5. Internal audit resources

The Chief Internal Auditor is professionally qualified (CMIIA, CCAB or equivalent), maintains a comprehensive understanding of the Global Internal Audit Standards in the UK Public Sector, has wide internal audit and management experience, reflecting the responsibilities that arise from the need to build and manage an effective internal audit function (incl. recruitment, training and development), liaises internally and externally with Members, senior management and other professionals, and demonstrates sound sector knowledge & experience.

The Deputy Chief Executive/S151 Officer will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations to fulfil the audit mandate and delivery of the internal audit strategy.

The Head of the Southern Internal Audit Partnership has a resource strategy in place to optimise internal audit resources. Ongoing sufficiency of resources (financial, human and technological) will be transparently communicated by the Chief Internal Auditor to the Management Team and the Audit Committee through regular reporting as part of the approval of the internal audit plan and further throughout the year as part of the progress reports and ultimately within the annual conclusion.

Any resource implications that put the fulfilment of the internal audit mandate at risk will be reported accordingly through the afore mentioned reports.

Financial Resource

The Head of Southern Internal Audit Partnership will manage the internal audit budget to enable the successful implementation of the internal audit strategy and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and relevant technologies and tools.

The Head of the Southern Internal Audit Partnership will manage the day-to-day activities of the internal audit function effectively and efficiently, in alignment with the budget.

Human Resource

The Head of Southern Internal Audit Partnership will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the internal audit strategy and operational risk-based audit plan.

The Chief Internal Auditor continually evaluates the competencies of individual internal auditors (regular one-to-ones, performance management and quality review processes), and encourages professional development.

The annual operational risk-based plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

The Management Team and the Audit Committee will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to Management Team and the Audit Committee.

If the Chief Internal Auditor, Management Team or the Audit Committee consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Global Internal Audit Standards in the UK Public Sector is prejudiced, they will advise the Deputy Chief Executive/S151 Officer, accordingly.

Technological Resource

The Head of the Southern Internal Audit Partnership will ensure the internal audit function has technology to support the internal audit process and regularly evaluate the technology used to pursue opportunities to improve effectiveness and efficiency.

The implementation of new technologies is supported through effective and timely training for internal audit staff.

The impact of any technology limitations on the effective and efficient delivery of internal audit services will be communicated to Management Team and the Audit Committee.

6. Ethics and Professionalism

The Chief Internal Auditor will ensure that internal auditors:

- Conform with the Global Internal Audit Standards in the UK Public Sector, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Council and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the Council.
- Report organisational behaviour that is inconsistent with the Council's ethical expectations, as described in applicable policies and procedures.
- Apply the Seven Principles of Public Life alongside existing ethical frameworks.

7. Independence and objectivity

The Chief Internal Auditor retains no roles or responsibilities that have the potential to impair the internal audit functions independence, either in fact or appearance.

Should such circumstance arise, the Chief Internal Auditor will advise the Audit Committee of the safeguards put in place to manage actual, potential or perceived impairments.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review.

Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- assessing specific operations for which they had responsibility within the previous year.
- performing operational duties for the Council or its affiliates.
- initiating or approving transactions external to the internal audit function.
- directing the activities of any Council employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit team or to assist internal auditors.

Internal auditors will:

- disclose impairments of independence or objectivity, in fact or appearance, to the Chief Internal Auditor.
- exhibit professional objectivity in gathering, evaluating, and communicating information.
- make balanced assessments of all available and relevant facts and circumstances.
- take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Induction and refresher training combined with internal audit procedures and guidance provide a systematic and disciplined approach for gathering and evaluating information to provide a balanced assessment of the activity under review.

The Chief Internal Auditor will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication.

If the Chief Internal Auditor determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

In addition, to achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- operates in a framework that allows unrestricted access to Management Team and the Audit Committee.
- reports functionally to Audit Committee.
- reports in their own name.
- rotates responsibilities for audit assignments within the internal audit team.
- completes individual declarations confirming compliance with rules on independence, objectivity, conflicts of interest and acceptance of inducements, and
- ensures the planning process recognises, records and addresses potential conflicts of interest.

A register of potential conflicts of interest will be maintained with each case assessed and outcomes documented. If, despite this, independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to Management Team and the Audit Committee. The nature of the disclosure will depend upon the impairment.

Management Team will ensure that independence is safeguarded through ensuring internal audit's access to staff and records, as set out in regulations and the charter, operates freely and without any interference and where there are actual or potential impairments to the independence of internal audit, the Management Team will work with the Chief Internal Auditor to remove or minimise them or ensure safeguards are operating effectively.

The Audit Committee will support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence raised by the Chief Internal Auditor.

The Chief Internal Auditor will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit function. The Chief Internal Auditor will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate

Matters around the appointment, removal, remuneration and performance evaluation of the Chief Internal Auditor will be undertaken by the Head of the Southern Internal Audit Partnership.

The Audit Committee should provide feedback on the performance evaluation of the Chief Internal Auditor. This will be achieved through an annual survey sent to all Audit Committee members.

8. Due Professional Care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity, but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Chief Internal Auditor.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained during internal audit work will not be used to effect personal gain.

9. Communication, Reporting and Oversight

Internal Audit Strategy

The Head of the Southern Internal Audit Partnership will develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the Council and aligns with the expectations of the Audit Committee, Management Team and other key stakeholders.

The internal audit strategy is a plan of action designed to achieve the audit function's long-term objective(s). The internal audit strategy includes a vision, strategic objectives, and supporting initiatives for the internal audit function to help fulfil the internal audit mandate.

Internal Audit Charter

The internal audit charter defines the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of service, and other specifications relevant to its effective operation.

Audit Plan

The Chief Internal Auditor will develop an internal audit plan that supports the achievement of the Council's objectives.

The plan will be based on a documented assessment of the Council's strategies, objectives, and risks. Such assessment will be informed through engagement with the Audit Committee, and Management Team as well as the Chief Internal Auditors understanding of the organisation's governance, risk and control processes.

The plan will be regularly reviewed with significant changes discussed and approved with the Management Team and the Audit Committee in a timely manner.

Audit Assignments

Internal auditors will communicate with management at the commencement of each review to ensure that the scope and timing of the work is understood and agreed, and this will be documented in a Terms of Reference. Internal audit contacts agreed as part of this process will be expected to be available for discussions and to provide the information required to complete the assignment in line with the timelines agreed. Regular communication throughout the review will ensure timely awareness of any issues arising and a close of audit meeting will also be held to summarise and confirm findings.

The results of all planned audit assignments will be summarised in a formal report, including:

- the purpose and scope of the reviews
- the assurance opinion
- an executive summary
- action plans outlining issues arising and actions proposed by management to address them (including consideration of root cause and identification of key themes).

The reports will be distributed and agreed in line with the established reporting protocols for the Council.

Progress Reports

Throughout the year the Chief Internal Auditor will maintain regular communications with the Management Team and the Audit Committee on internal audit performance and other matters such as:

- revisions to the plan.
- any impairments to independence.
- significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for management that could interfere with the achievement of Council's strategic objective.
- results of assurance and advisory services.
- management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.
- performance measures, including ongoing conformance with the Global Internal Audit Standards in the UK Public Sector.
- evaluation of resourcing to meet the requirements of the internal audit mandate / plan.

Annual Conclusion

The Chief Internal Auditor shall deliver an annual conclusion that can be used by the Council to inform its annual governance statement.

The annual conclusion will conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

The annual conclusion will incorporate as a minimum:

- the opinion.
- a summary of the work that supports the opinion.
- a statement on conformance with Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government.
- results of the quality assurance and improvement programme.

Quality assurance and Improvement Programme

The Head of the Southern Internal Audit Partnership maintains a quality assurance and improvement programme that covers all aspects of the internal audit function. The programme includes:

External Quality Assessments – to be performed at least once every five years by a qualified independent assessor or assessment team (with appropriate characteristics and sector knowledge). The requirement for an external quality assessment may also be met through a self-assessment with independent validation.

The decision on the appointment of the external assessor and format of the external quality assessment will be communicated to the Council's Management Team and Audit Committee.

Internal Quality Assessments – self-assessments to be performed annually to review internal audits conformance with the Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government along with progress towards performance objectives.

The Chief Internal Auditor will communicate annually the results of the internal quality assessment to Management Team and the Audit Committee. The results of external quality assessments will be reported when completed.

In both cases communications will include:

- The internal audit function's conformance with Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government and achievement of performance objectives.
- Compliance with laws and regulations relevant to internal auditing.
- If applicable, plans to address the internal audit function's deficiencies and opportunities for improvement.

In addition, an annual satisfaction survey will be conducted with key stakeholders to assess the value of the service and to seek suggestions for improvement.

The results of the survey, annual self-assessment, and external assessment will be shared with the Management Team and the Audit Committee, together with plans to address any issues arising.

Management Team

As those responsible for the leadership and direction of the Council it is imperative that the Management Team are engaged in:

- input, review, and **note** the internal audit mandate and charter (minimum annually).
- input, review, and **note** the internal audit strategy.
- Input and **note** the risk based internal audit plan (making appropriate enquiries of the Chief Internal Auditor to determine inappropriate scope and resource limitations).
- receiving regular progress reports from the Chief Internal Auditor on the outcomes and internal audits performance relative to its plan.
- review and **note** the Chief Internal Auditor's annual conclusion.
- review of the quality assurance and improvement programme, engaging with, and receiving the results of internal and external assessments, including areas of non-conformance.

The Audit Committee

As those responsible for the governance of the Council it is imperative that the Audit Committee are engaged in:

- input, review and approval of the internal audit mandate and charter (minimum annually).
- input, review, and **note** the internal audit strategy.
- input, and approval of the risk based internal audit plan (making appropriate enquiries of management and Chief Internal Auditor to determine inappropriate scope and resource limitations).
- receiving regular progress reports from the Chief Internal Auditor on the outcomes and internal audits performance relative to its plan.
- **consider** the Chief Internal Auditor's annual conclusion.
- review of the quality assurance and improvement programme, engaging, with, and receiving the results of internal and external assessments, including areas of non-conformance.
- participation in discussions with the Chief Internal Auditor and senior management about the "essential conditions," described in the Global Internal Audit Standards in the UK Public Sector.
- overview of significant advisory services not already included in the audit plan, prior to acceptance of the engagement.

10. Review of the internal audit mandate and charter

This mandate and charter will be reviewed annually (minimum) by the Chief Internal Auditor and reported to Management Team and the Audit Committee for approval to ensure that any changes to the Global Internal Audit Standards in the UK Public Sector, reorganisation within the organisation or other significant changes affecting the nature and scope of internal audit services are considered.

Annex 1

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Advisory services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

- **Data analytics:** is a process of assessing data to find trends, patterns or other insights. Internal auditors use data analytics to find and define risks, errors, and anomalies that could reveal deeper problems. The extended use of data analytics helps provide greater levels of assurance through analysis of a total population rather than traditional sampling methodologies.
- **IT Audit:** a specialist IT audit team are in place that are experienced in covering all aspects of established and emerging technologies. With IT underpinning a vast majority of how we function assurance in this area is crucial. To be able to provide a fully qualified team of IT audit specialists is a fundamental component of the audit offering.

- **Fraud and irregularity investigations:** Internal audit may provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes.
- **Value For Money:** is implicit in the vast majority of our internal audit work, however, value for money work can also be conducted through review of the optimal use of resources to achieve an intended outcome, and can be summarised as:
 - **Economy** – minimising the cost of resources used or required (inputs) – spending less
 - **Efficiency** – the relationship between the output from goods or services and the resources to produce them – spending well
 - **Effectiveness** – the relationship between the intended and actual results of public spending (outcomes) – spending wisely.
- **Third party assurance:** the availability of objective assurance from other assurance providers will be considered in determining audit needs. Where internal audit needs to work with the internal auditors of other organisations, a practice which is expanding with the development of more organisational strategic partnerships, the roles and responsibilities of each party, as well as billing arrangements, will be clearly defined, agreed and documented prior to the commencement of work. Internal audit will also ensure awareness of and seek to place reliance on the work of other independent review bodies.

Audit Committee

10 July 2025



Title	Internal Audit Progress Report
Purpose of the report	To inform and assure
Report Author	Natalie Jerams, Deputy Head of Southern Internal Audit Partnership
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	Community Addressing Housing Need Resilience Environment Services
Recommendations	To inform and assure Audit Committee of Internal Audit progress.
Reason for Recommendation	In accordance with the Public Sector Internal Audit Standards (as relevant to 2024/25) the Chief Internal Auditor is required to provide a written status report to the Audit Committee.

1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> In accordance with the Public Sector Internal Audit Standards (as relevant to 2024/25) the Chief Internal Auditor is required to provide a written status report to present internal audit activity and key findings from work concluded in delivery of the internal audit plan. 	<ul style="list-style-type: none"> The internal audit progress report provides a mechanism through which internal audit performance, issues impacting the Chief Internal Auditors annual opinion, and progress against the audit plan can be monitored.
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> Consider the internal audit progress report for awareness of issues raised and to monitor the implementation of management actions raised to mitigate identified risks. 	<ul style="list-style-type: none"> To inform and assure Management Team and Group Heads of internal audit progress against the planned assurance assignments and key issues raised for 2024/25 and confirm it is agreeable.

	<ul style="list-style-type: none"> To inform and assure the Audit Committee of the Internal Audit Progress at the meeting of 10 July 2025.
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- 1.1 This report provides an overview of internal audit activity against assurance work completed in accordance with the approved audit plan for 2024-25 and to provide an overview of the outstanding management actions.

2. Key issues

- 2.1 Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:
- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk, and
 - undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.
- 2.2 In accordance with Public Sector Internal Audit Standards (as relevant to 2024/25), the Chief Internal Auditor is required to provide a written status report to the Audit Committee summarising:
- the status of 'live' internal audit reports (outstanding management actions)
 - an update on progress against the annual audit plan
 - a summary of internal audit performance, planning and resourcing issues
 - a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.
- 2.3 Due to the Best Value Inspection, the internal audit plan was more heavily weighted to Q3 and Q4 in acknowledgement of officer capacity and the avoidance of potential areas of duplication during this period.
- 2.4 Correspondence received by the Council on 22 August 2024 from the Ministry of Housing Communities & Local Government (MHCLG) indicated the anticipated completion date of the Best Value Inspection to be 29 November 2024. However, the Council were advised that the Inspection would continue until the end of January 2025 where the inspectors would then feedback to the MHCLG and a report will follow.
- 2.5 The absence of a fully resourced inspection team not being in place until 17 October 2024 was understood to be the primary driver for the delayed completion date.

- 2.6 The Best Value Inspection has now concluded with the Council receiving a letter from the Minister on 17 March 2025 outlining the next steps for the authority and the appointment of commissioners in May 2025.
- 2.7 We have continued to work with management to maintain a level of flexibility in our approach to deliver the internal audit plan over the remainder of the year. In doing so, some reviews required deferral (as detailed in section 8 of Appendix A), however, assuming no further deferrals are made to the plan, there remains sufficient assurance work to enable the Chief Internal Auditor to provide their annual opinion on the council's framework of governance, risk and control.
- 2.8 Positive progress continues in the delivery of the internal audit annual plan 2024/25, however, following a delayed start to the year and challenges to officer capacity during the Council's Best Value Inspection, the annual internal audit conclusion will now be presented to the September 2025 meeting of the Audit Committee.
- 2.9 From the work carried out to date, it is anticipated that internal audits overall conclusion on the framework of governance, risk management and control will conclude in a 'limited assurance' opinion. This position will continue to be assessed throughout the completion of the 2024/25 internal audit plan and through the continued assessment of other relevant sources of assurance.
- 2.10 A final internal audit opinion on the framework of governance, risk management and control for 2024/25 will be concluded for contribution to and incorporation within the final version of the Annual Governance Statement (2024/25) in September 2025.
- 2.11 Appendix A provides a summary of internal audit's ongoing progress.

3. Options analysis and proposal

To inform and assure the Audit Committee of Internal Audit progress as detailed within Appendix A.

4. Financial management comments

- 4.1 The Internal Audit Progress Report includes reviews of functions and systems that are financially material and therefore represent greater risk to the authority. Issues presenting adverse financial consequences or threats to the Council's financial position apply to a range of workstreams on the plan.

5. Risk management comments

- 5.1 In producing the programme of audit work for 2024/25 the Chief Internal Auditor has ensured that a risk-based approach has been applied in line with audit standards and focussed on areas of higher priority that align with corporate priorities and objectives. Consideration has been given to current and emerging risks (and opportunities) facing the Council during 2024/25. Due regard has been taken of the pending Best Value Inspection to avoid unnecessary duplication.

6. Procurement comments

- 6.1 None

7. Legal comments

- 7.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory further to the Accounts and Audit (England) Regulations 2015. The PSIAS (as relevant to 2024/25 internal audit delivery) require public bodies to provide a written status report to the Audit Committee.

8. Other considerations

- 8.1 None

9. Equality and Diversity

Equality and diversity are key considerations that feature in the assessment of risk and audit needs.

10. Sustainability/Climate Change Implications

- 10.1 Sustainability is a key consideration and features in the assessment of risk and audit needs.

11. Timetable for implementation

- 11.1 Applicable for the period 1 April 2024 – 31 March 2025

12. Contact

- 12.1 Natalie Jerams, Deputy Head of Southern Internal Audit Partnership
natalie.jerams@hants.gov.uk

Background papers: None

Appendices:

Appendix A – Internal Audit Progress Report

Southern Internal Audit Partnership

Assurance through excellence
and innovation

SPELTHORNE BOROUGH COUNCIL INTERNAL AUDIT PROGRESS REPORT

Prepared by: Natalie Jerams, Deputy Head of Partnership

June 2025

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

With effect from 1 April 2025, the ‘Standards’ against which internal audit within the public sector must conform are those laid down in the Global Internal Audit Standards, Application Note: Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements are referred to as the Global Internal Audit Standards in the UK Public Sector.

The Southern Internal Audit Partnership have made all necessary adaptations to its processes, procedures and practices to ensure it is best placed to conform with these requirements with effect from 1 April 2025.

Prior to 1 April 2025 conformance was required with the Public Sector Internal Audit Standards (PSIAS). Consequently, in fulfilling the audit mandate and delivery of internal audit service for the purposes of the 2024-25 internal audit delivery the PSIAS remain the relevant Standards.

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

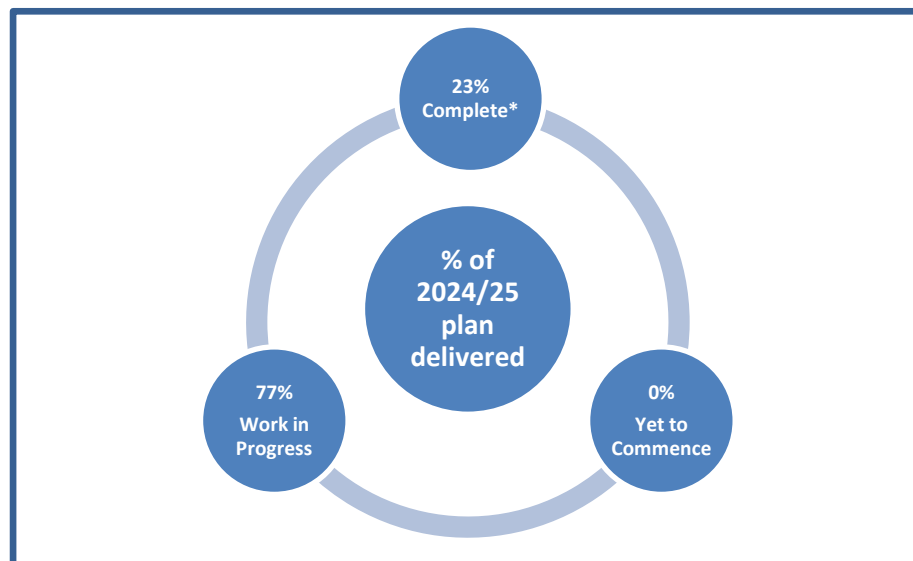
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

- The status of 'live' internal audit reports.
- an update on progress against the annual audit plan.
- a summary of internal audit performance, planning and resourcing issues, and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

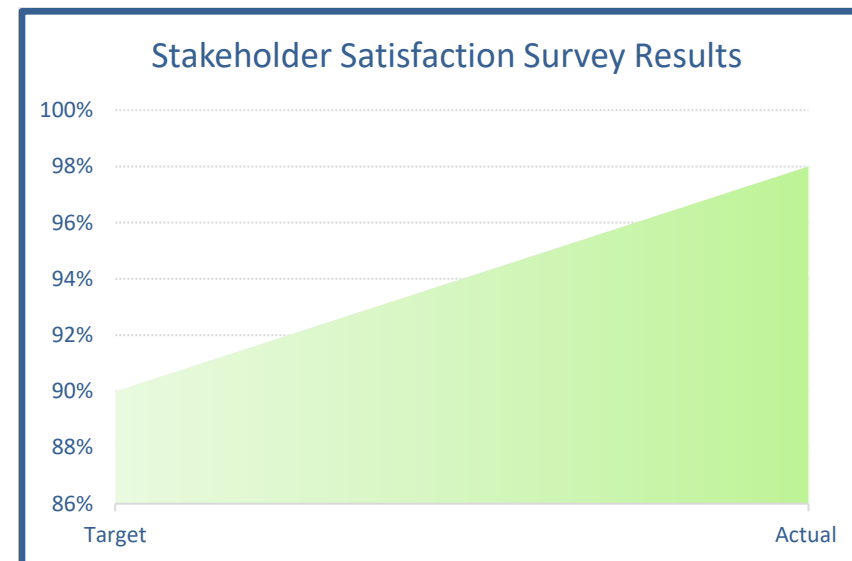
Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

3. Performance dashboard



* With a further 54% issued to draft report stage.



Compliance with Public Sector Internal Audit Standards

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles, and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.'

We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

This section reflects the status of management actions as at 31 May 2025.

Audit Review – Pre SIAP	Report Date	Audit Sponsor	Assurance Opinion	Recommendations			Not Yet Due	Complete	Overdue		
				L	M	H			L	M	H
Disaster Recovery	Apr 24	DCE	Limited	4	3			5		2	
Commercial Assets	Jul 24	DCE/S151	Reasonable		3			2		1	
Totals				4	6	0	0	7	0	3	0

Audit Review - SIAP	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s) *	Not Yet Due	Complete	Overdue		
							L	M	H
Building Control	27.01.25	DCE	Limited	11(6)	0(0)	9(4)			2
Equality, Diversity and Inclusivity	03.06.25	DCE	Limited	8(4)	7(4)	1(0)			
Total				19(10)	7(4)	10(4)	0	0	2

*Total number of management actions (total number of high priority actions)

Audit Sponsor

Chief Executive (CE) Daniel Mouawad	
Deputy Chief Executive & S151 (DCE/S151) Terry Collier	Deputy Chief Executive (DCE) Lee O'Neil

5. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

There has been one new report produced concluding in a limited or no assurance opinion since the last progress report.

Equality, Diversity & Inclusivity (EDI)			
Audit Sponsor	Assurance opinion	Management Actions	
Deputy Chief Executive	Limited	<div>Low 2</div>	<div>Medium 2</div> <div>High 4</div>
Summary of key observations: <p>The purpose of the audit was to review the Council's compliance with the minimum statutory duties set out in the Equality Act 2010 and Public Sector Equality Duty (PSED).</p> <p>Public Sector Equality Duty is addressed within the corporate policies such as the corporate plan, annual plan and EDI Policy. However, whilst there is evidence that the Council promotes EDI awareness, there is no approved EDI strategy in place. The Corporate Plan states that an EDI strategy will be in place by the end of 2025, however we were not provided with any evidence to indicate that this action was being developed at the time of the audit.</p> <p>The duties within the PSED state that three specific categories of information should be collected and published (general duty compliance with regard to people affected by your policies and practices every year, general duty compliance with regard to your employees every year and publish gender pay gap data by 31 March every year). However, whilst we found that the Council publishes information annually with regard to people affected by the policies and practices, and that Gender Pay Gap data was published before the 31 March deadline for the 2023/24 financial year, the "general duty compliance with regard to your employees every year" has not been collected and published.</p> <p>We found that the Council's decision making is clearly shown when reviewing the three aims of the Public Sector Equality Duty within their Equality Impact Assessments for new projects/schemes. Whilst we found that a template has been set up for Equality Impact Assessments to assist with decision making, the actions are not centrally logged and reviewed.</p> <p>There is a requirement for staff to complete annual online training on Equality, Diversity and Inclusion. At the time of audit, the training completion rate was 77.5%, therefore nearly a quarter of the workforce have not completed the mandatory training requirement.</p>			

6. Planning & Resourcing

The internal audit plan for 2024-25 was approved by the Management Team (MAT) and Audit Committee in July 2024.

Due to the Best Value Inspection, the internal audit plan was more heavily weighted to Q3 and Q4 in acknowledgement of officer capacity and the avoidance of potential areas of duplication during this period. Correspondence received by the Council on 22 August 2024 from the Ministry of Housing Communities & Local Government (MHCLG) indicated the anticipated completion date of the Best Value Inspection to be 29 November 2024. However, the Council were advised that the Inspection would continue until the end of January 2025 where the inspectors would then feedback to the MHCLG and a report will follow. The absence of a fully resourced inspection team not being in place until 17 October 2024 was understood to be the primary driver for the delayed completion date.

The Best Value Inspection has now concluded with the Council receiving a letter from the Minister on 17 March 2025 outlining the next steps for the authority and the appointment of commissioners in May 2025.

We have continued to work with management to maintain a level of flexibility in our approach to deliver the internal audit plan over the remainder of the year. In doing so, some reviews required deferral, however, assuming no further deferrals are made to the plan, there remains sufficient assurance work to enable the Chief Internal Auditor to provide their annual opinion on the council's framework of governance, risk and control. Section 8 lists the adjustments to the plan to date.

Positive progress continues in the delivery of the internal audit annual plan 2024/25, however, following a delayed start to the year and challenges to officer capacity during the Council's Best Value Inspection, the annual internal audit conclusion will now be presented to the September 2025 meeting of the Audit Committee. Progress against the plan is detailed within section 7.

From the work carried out to date, it is anticipated that internal audits overall conclusion on the framework of governance, risk management and control will conclude in a 'limited assurance' opinion. This position will continue to be assessed throughout the completion of the 2024/25 internal audit plan and through the continued assessment of other relevant sources of assurance.

A final internal audit opinion on the framework of governance, risk management and control for 2024/25 will be concluded for contribution to and incorporation within the final version of the Annual Governance Statement (2024/25) in September 2025.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Risk Management	DCE	✓	✓	✓	✓			Draft report issued 4/6/25.
Contract Management	DCE/S151	✓	✓	✓				Fieldwork delayed due to officer capacity.
Procurement	CE	✓	✓	✓	✓			Draft report issued 11/6/25.
Accounts Receivable & Debt Management	DCE/S151	✓	✓	✓				
Reinforced Autoclaved Aerated Concrete	DCE/S151	✓	✓	✓	✓			Draft report issued.
Commercial Waste (SDS)	DCE	✓	✓	✓	✓			Draft report issued 4/6/25.
Building Control	DCE	✓	✓	✓	✓	✓	Limited	Q2 ⇌ Q3.
CIPFA Financial Management Code and Best Value Indicators for Use of Resources	DCE/S151	✓	✓	✓	✓			
Savings Realisation	DCE/S151	✓	✓	✓	✓			Draft report issued 11/6/25.
Tree Maintenance	DCE	✓	✓	✓	✓			Draft final report issued 18/6/25.
ITIL Assurance Mapping	DCE	✓	✓	✓	✓	✓	n/a	
Data Backup and Disaster Recovery	DCE	✓	✓					Q4 – delayed due to SIAP availability.
Equality, Diversity & Inclusivity	DCE	✓	✓	✓	✓	✓	Limited	

8. Adjustments to the internal audit plan

The following adjustments to the plan have been made:

Removed from the Plan	Reason
Cyber Security – Training and Awareness	Following the ITIL Assurance Mapping review, a review of Data Backup and Disaster Recovery has been assessed as higher priority. Please see section 6 of the report for details.
Corporate Plan	
Council Tax	
Health and Safety	
Affordable Housing / Homelessness	
Best Value – Post Inspection	
Additions to the Plan	Reason
Data Backup and Disaster Recovery	Following the ITIL Assurance Mapping review, a review of Data Backup and Disaster Recovery has been identified.

Overdue 'High Priority' Management Actions

Building Control – Limited Assurance			
Observation: The Building Safety Regulator - Operational Standards Rules monitoring arrangements sets out in KPI 1 - Building Control Functions, what they require for quarterly reportable data. Testing found that currently there are no reports that can be run to extract this information out of the IDOX Uniform system. BSR have also not yet advised the Council how they wish to receive this information, and therefore this presents further uncertainty and potential delays in preparations for the new regulations.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Revise processes and procedures (and ensure staff training takes place) to ensure that all the relevant fields are filled in to enable data to be extracted.	28.02.25	30.06.25 30.07.25	June 2025 - New part time management resource is providing in house training with the BC team to ensure all the relevant fields are being completed.
Observation: Quarterly and annual reportable data to the Building Safety Regulator (BSR) is not currently in place due to a combination of both the IDOX Uniform system and the BSR not having yet released the portal for local authorities to upload their data for submission. The IDOX Uniform System at the time of the audit is not set up for the Building Control Team to be able to run the reports that are required in order to be able to report on the data and information that the BSR will require from April 2025. This consequently impacts compliance across a range of the KPI's that were reviewed as part of the audit testing. For KPI 5, the Council is unable to provide the required elements of having a Quality Management Scheme in place, although this is currently with the Local Authority Building Control (LABC) to confirm next steps in supporting this compliance area.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Obtain confirmation from LABC that we are signed up to their Quality Management Scheme (QMS). Made a request in November 2024.	28.02.25	30.06.25 30.09.25	June 2025 – The Council are on the LABC list to be added to the QMS. The service risk register has been submitted to LABC on 07.05.25 and the internal audit and gap analysis will be submitted during July (after an annual audit review meeting with the Building Control team). LABC will then need to review and undertake an audit and advise on improvements before allowing us to sign up to their QMS system. They have a backlog so it will take several months to work through the system.

Overdue 'Medium and Low' Recommendations

Audit Review – Pre SIAP	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Medium	Low		
Disaster Recovery	Apr 2024	Limited	1		31.07.24	31.03.25 30.04.25 TBC
			1		31.08.24	31.03.25 TBC
Commercial Assets	July 2024	Reasonable	1		31.05.25	31.08.25
Total			3	0		

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External Audit Plan for Spelthorne Borough Council

Year ending 31 March 2025

May 2025



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01 Key developments impacting our audit approach

Local Government Reorganisation

External factors

English Devolution White Paper

On 16 December 2024, the Secretary of State for Housing, Communities and Local Government, Angela Rayner, Presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving the change the public expect and deserve. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the Authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government plans to facilitate a programme of local government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more, but there can be agreed exceptions to this criteria. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation;
- And re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Update

Surrey was not named by the government on 5 February 2025 as one of the six areas accepted onto the Devolution Priority Programme, however the government have stressed the 'urgency of creating sustainable unitary local government in Surrey', postponing the planned county elections in May 2025 to help 'speed up reorganisation and deliver the local ambitions for devolution with the benefits it will bring.'

Across Surrey all services would still be provided, but by newly formed unitary authorities, rather than the 11 district and borough councils and the county council. The new boundaries in Surrey were submitted to Central Government on the 9th of May, as required, with a two model being proposed by Surrey County Council and a three unitary model, proposed by the Districts and Boroughs. The geographical split of the areas served by the new unitary authorities, will be confirmed in the Autumn.

This will allow elections in May 2026 for the new Unitaries, to shadow, ahead of 1 April 2027. An eight-week statutory stakeholder engagement is planned for June 2025. This will cover both proposals submitted. Of the two final submissions a 2 unitary model is split east and west. The 3 unitary model would have Spelthorne amalgamated with Runnymede and Elmbridge.

Local Audit Reform

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External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government’s strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors’ statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Position

Local governments face many challenges, the pandemic along with the cost of living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Local Government Reorganisation will also impact on the Council's ability to recruit and retain talent now and in the lead up to 1 April 2027.

Climate change: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand and it's difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to get planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

Funding : Local governments face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year. Funding reform, including Business Rates reset will take place in 2026-27 and this is forecast to have a significant detrimental impact on the Surrey Districts.

Digital Transformation : The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach

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Local Context	Our Response
<p>Best Value Inspection</p> <p>In May 2024, the Government appointed Best Value Inspectors to review the Council’s finance and governance arrangements. Their work concluded at the end of January 2025, with a report being published by the Government on the 17th of March 2025. The report highlighted a number of weaknesses at the Council around continuous improvement, leadership, governance, culture and use of resources. The government appointed Commissioners at the Council in 2025.</p> <p>Recommendations Follow-ups</p> <p>The 2023/24 financial statement audit was the first year of audit for the Council in 5 years, resulting in a disclaimer of audit opinion. However, as part of the rebuilding of assurance, both the financial statement audit and the value for money reports, identified 29 recommendations that the Council needed to address. At the end of February, council officers presented a detailed action plan to members of the Audit Committee.</p> <p>Financial Outturn 24/25</p> <p>At the time of drafting this report, at Month 9, the Council was forecasting to underspend by £3m (net). Forecast revenues from “Commercial & Regeneration Assets” was £48m, with loan payable interest (£23m) and minimum revenue charges (£12m), landlord costs (£7m) totalling £42m of costs associated with commercial properties. There was a forecast net £1.6m contribution from the “Sinking Fund” reserve.</p> <p>Capital Additions 24/25</p> <p>The Council is forecasting a closing Capital Financing Requirement of £1.18 billion, with Capital Investment (additions and revenue expenditure funded under statute) amounting to £51.2m and sources of debt projected to be £28.8m. The largest capital projects are the purchase acquisitions of housing through the Local Authority Fund Grant (with a projected total spend of £21.5m) and the Spelthorne Leisure Centre Development with a projected spend of £18.8m. The Council has had to pause several capital projects as it reviews its delivery structure.</p> <p>Disposals 24/25</p> <p>Based on discussions with council officers, we have been made aware that some assets that have been purchased on behalf of Knowle Green Estate Ltd by the Council. In addition, a number of capital project spend was being reviewed by management as to whether associated capital spend should have been written off to revenue capital expenditure or should have been charged to revenue as opposed to being capitalised in the first place. The Extraordinary Council Meeting on 18th March approved the sale of Summit Centre for £20m and Ashford Victory Place for £5.2m – exchange and completion will be by end of June 2025 and with the PWLB early repayment discounts on the loans will enable the Council to pay off about £35m of PWLB debt.</p>	<ul style="list-style-type: none">• We have reviewed the Best Value Report and we will consider the impact of the weaknesses identified as part of our value for money report and on-going statutory recommendations at the Council in 2025.• As part of our 24/25, we will follow-up with officers, the implementation of the action plan and consider whether detailed action plan developed will or has adequately addressed the weakness identified. We will provide updates to the Audit Committee throughout the year.• We will review the Council’s financial performance as part our value for money assessment and understand the key drivers of performance. As part of the financial statement audit, we will review the accounting of the income from commercial properties is in line with the standards and the council’s assessment of minimum revenue provision charge for 24/25 is adequate.• We will consider and review the accounting treatment of the purchased properties and any transfers to its Subsidiary companies. We will review the accounting of capital additions meet the requirements of IAS16 or IAS40 (or the Code requirements), and where projects have paused, we will review the accounting treatment at year end and associated borrowing costs.• We will review the Council’s accounting of any capital disposals or transfers. In addition we will review the accounting implications of any capital or revenue costs that were inappropriately accounted for in the past.

Key developments impacting our audit approach

Local Context

New accounting standards and reporting developments

- Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on the next slide.
- The FRC issued revisions to ISA (UK) 600 ‘Audits of group financial statements (including the work of component auditors)’. The revised standard includes new and revised requirements that better aligns the standard with recently revised standards such as ISQM 1, ISA 220 (Revised) and ISA 315 (Revised 2019).
- The new and revised requirements strengthen the auditor’s responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditor, and documentation. The changes are to keep the standard fit for purpose in a wide range of circumstances and the developing environment.

Our Response

- Detailed review of the Council’s implementation of IFRS 16.
- Enhanced procedures in respect of audits of group financial statements

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Chief Financial Office.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. We will look to work onsite at least twice a week and agree with officers the timing of onsite visits.
- We will meet the Chief Executive, Chief Finance Officer and Monitoring Officer every six months, and with the interim Chief Accountant/Deputy Chief Finance Officer quarterly as part of our commitment to keep you fully informed on the progress of the audit. In addition, members of the audit team and finance team will have regular catch-up meetings at different stages of the audit process.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources via our Audit Committee updates.
- We held our annual financial reporting workshops in February and March for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector. Members of the Finance Team were invited to the workshops and attended.



IFRS 16 Leases



Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

- leases of low value assets (optional for LG)
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

In our 23/24 Financial Statement audit, the Council voluntarily adopted the implementation of IFRS 16 early. We provided feedback to officers, and we were unable to be assured over the completeness and accuracy of the balance disclosed 23/24. We have made initial inquiries with officers, and we understand that this something they are reviewing and will update in the 2024-25 financial statements.

Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

The Backstop

Local Government National Context – The Backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- for years ended 31 March 2023 and earlier by 13 December 2024; and
- for years ended 31 March 2024 by 28 February 2025; and
- for years ended 31 March 2025 by 27 February 2026.

The Statutory Instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Local Government National Context – Local Audit Recovery

In the audit report for the year ended 31 March 2024, a disclaimer of opinion was issued due to the backstop and lack of adequate record keeping. As are result, we anticipate that for 2024/25:

- we will focus on rebuilding assurances on closing balances. In 23/24 we were unable to gain assurance over opening balances, (therefore, no assurance over the in-year and closing position as at 31st March 2025). Therefore, this also meant had no assurance over the council's closing reserve balances due to the uncertainty over opening balances (including the income and expenditure balances)

We are in discussion with the NAO and the Financial Reporting Council (FRC) as how we regain assurance. We will work with the Council to rebuild assurance over time. This, for Spelthorne will need to be linked to the creation date of the new Surrey arrangements, 1 April 2027 to support the new organisations gain assurance over inherited financial balances.

Our Work

Our initial focus for the audit will be on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures; and closing balances for 2024/25.

Our objective is to begin a pathway to recovery, by providing assurance over the in year 2024/25 transactions and movements, where possible, and those closing balances which can be purely determined in isolation without regard to the opening balance, such as payables and receivables.

As guidance is received from the NAO and the FRC, we will formulate a more detailed strategy as to how assurance can be gained on prior years.

It is acknowledged given the absence external audit assurance for a 5-year period it will take time to re-build assurance over the balances within the financial statements.



02 Introduction and Headlines

Introduction and headlines



Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of Spelthorne Borough Council (“the Council”) for those charged with governance.

Respective responsibilities

- The National Audit Office (“the NAO”) has issued the Code of Audit Practice (“the Code”). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Spelthorne Borough Council. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council’s and Group’s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council’s business and is risk based.

Planning enquiries

As part of our planning risk assessment procedures, we have made written enquiries to management covering areas such as Going Concern, Laws and Regulations, Fraud and Accounting Estimates. Responses were shared and considered by the Audit Committee Chair and subsequently provided to external audit

Introduction and headlines (continued)

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Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Presumed risk of fraud in revenue (commercial income, sales and other income)
- Operating expenditure completeness
- Valuation of Pension Liability
- Valuation of land and buildings and Investment Properties
- Minimum Revenue Provision

Other Risks

- The Group Accounts
- Presentation and Disclosure

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of:

- Knowles Green Estate
- Spelthorne Borough Council
- Spelthorne Direct Services

Materiality

We have determined planning materiality to be £1.6m (PY £1.7m) for the Council and £1.7m and (PY, £1.8m) for the Group, which equates to 1.5% and 1.4% respectively of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance.

Clearly trivial has been set at £85k (PY £97k) for the Group and £85k (£85k PY) for the Council.

A Lower materiality of £20k has been set for officer remuneration disclosures at both the group and council levels.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weaknesses under the 3 criteria’s

Financial Sustainability

- Three significant weaknesses in arrangements identified in 23/24 due to: inadequate medium term financial planning; insufficient plans to address future budget gaps and inadequate management of financial risk.

Governance

- Three significant weaknesses in arrangements identified in 23/24 in relation to decision making and scrutiny, risk management and governance relating to subsidiary undertakings and maintaining appropriate standards.

Economy Effectiveness and Efficiency

- Three significant weaknesses in arrangements identified in 23/24 in relation to use of financial and performance information, a failure to secure improvement following an external Review, and a failure to deliver efficiency/performance improvements when managing significant outsourced contracts.

The Council had a Best Value Inspection recently, with the findings published on the 17th of March 2025, with the Government Minister considering appointing Commissioners. As part of the 24/25 audit, we have reviewed the report and updated our risk assessment, we will continue to monitor the situation throughout the audit.

Audit logistics


Our interim visit took place in March and our final visit will take place in July to September 2025. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor’s Report and Auditor’s Annual Report. Our proposed fee for the audit is £222k (PY: £251k) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input. We have complied with the Financial Reporting Council’s Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

03 Identified risks

Significant risks identified


Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Management override of controls	Council/Group	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>The Council faces external scrutiny of their spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• evaluate the design effectiveness of management controls over journals;• analyse the journals listing and determine the criteria for selecting high risk unusual journals;• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	Council	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p> <p>The council has a significant income stream from commercial properties and based on the disclaimed accounts for 23/24, rental income was £53m.</p> <p>The Council is also disclosed other sales and charges of approximately £0.6m. There is a risk of either fraud or improper revenue recognition for these income streams apart from Government Grants & Collection Fund income streams.</p> <p>We have therefore, not rebutted this presumed risk that revenue may be misstated due to improper recognition for commercial rents and sales and charges.</p>	<p>We will</p> <ul style="list-style-type: none">• evaluate the group’s accounting policy for recognition of income from commercial properties, sales and other charges for appropriateness;• review on a sample basis the accounting treatment of lease incentives and other provisions within operating lease agreements to ensure adequate accounting treatment• gain an understanding of the Authority's system for accounting for income from commercial income, sales and other charges, and evaluate the design of the associated controls;• Agree on a sample basis, amounts recognised as income from commercial rents, sales and other charges in the financial statements to supporting documents.• test the completeness of revenue within the 24/25 financial statements.• test the associated trade receivables or debtors pertaining to commercial rents and other sales and charges.• review the disclosures within the financial statement and ensure this meets the requirements of the code.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
The expenditure cycle includes fraudulent transactions	Council	<p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure</p> <p>We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition expenditure and consider the risk to relate to the completeness of expenditure and associated creditors (unrecorded liabilities) or capitalisation of revenue expenditure. In addition, our audit of the 23/24 statements noted instances of expenditure which was being inappropriately capitalised.</p> <p>The Council in 24/25 was also undertaking an assessment of its capital projects to determine whether costs had been correctly accounted for as capital or should have been charged to revenue. We will need to understand the scope of this work, assess and review the impact on the financial statements.</p> <p>There is a risk of fraudulent expenditure recognition, for the Council to report a certain year end position. The Council’s projected capital programme was £51 million for 24/25. Therefore, if the Council were to fraudulently recognise expenditure, we believe it would be through the inappropriate capitalisation of revenue items.</p>	<p>To address the completeness risk we will</p> <ul style="list-style-type: none">• Evaluate the Council’s accounting policy for recognition of expenditure for appropriateness and compliance with the Code;• Update our understanding of the system for accounting for the expenditure and evaluate the design of associated processes and controls;• Agree on a sample basis relevant expenditure and year end payables and accruals to invoices or other supporting evidence;• We will carry out testing on sample basis of invoices received in the period prior to and following 31 March 2025 to determine whether expenditure is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties. <p>To address the significant risk in capital expenditure we will:</p> <ul style="list-style-type: none">• Evaluate the Council’s accounting policy for capitalisation of expenditure for appropriateness and compliance with the Code;• Update our understanding of the system for accounting for the capitalised expenditure and evaluate the design of associated processes and controls;• Agree on a sample basis relevant capital expenditure to invoices or other supporting evidence, to confirm it is capital in nature;

Significant risks identified (continued)

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Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Valuation of the pension fund Net liability.	Council	<p>The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The council participates in the local government pension scheme administered by Surrey County Council.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£6.2million in the single entity’s balance sheet at 31 March 2024), complexity of the actuarial valuation and the sensitivity of the estimate to changes in key assumptions. The Council engage the services of Hymans Robertson as a qualified actuary to develop an IAS 19 compliant estimate of the pension fund net liability.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• Update our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls;• Evaluate the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary’s work;• Assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;• Assess the accuracy and completeness of the information provided by the Group to the actuary to estimate the liabilities;• Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary;• Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report; and• Obtain assurances from our pension fund testing as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund’s financial statements.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of the Council's Land and Buildings, Investment Properties	Council/Group	<p>The Council has a significant property plant and equipment. The following holding of based on the disclaimed 2023/24 financial statements:</p> <ul style="list-style-type: none">Land and building assets totalling £95m as at 31 March 2024. The council's valuer for land and building is Wilks Head and EveInvestment properties amounting to £625m as at 31 March 2024. The majority council's valuer for investment properties in 2024-25 is Knight Frank and a small proportion valued by Wilks Head and EveThe Group - Knowle Green Estate LTD has land and buildings £39m as at 31st March 2024 (audited) . Their valuer is Wilks Head and Eve. <p>This valuation represents a significant estimate by management in the financial statements due to the size of the figures and the sensitivity of this estimate to changes in key assumptions. Management has engaged the above mentioned external valuers' services to provide an estimate of the current value and fair value of these assets in line with the council's valuation cycle.</p> <p>We therefore identified valuation of land, buildings, including Investment Properties assets, as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.We engage our own valuation expert to support us in this area and other aspects of our work in relation to this risk;Evaluate the competence, capabilities and objectivity of the valuation expert;Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met;Challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which will include engaging our own valuer to assess the instructions issued by management to their valuer, the scope of the Group's and Council's valuers' work, the Group and Council's valuers' reports and the assumptions that underpin the valuations;Challenge the categorisation of assets to ensure the valuation methodology applied is appropriate for the assetAssess the value of a sample of assets in relation to market rates for comparable properties;Test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; andEvaluate the assumptions made by management regarding assets not revalued during the year particularly regarding how they are satisfied these are not materially different from current value at year end.We will focus our testing on the closing balance of property plant and equipment including investment property as part of rebuilding assurance.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Minimum Revenue Provision	Council	<p>Minimum Revenue Provision</p> <p>The Council's Capital Financing Requirement as at 31 March 2024 was £1.2bn with external borrowing £1.2bn. The Council's minimum revenue charge for 2023/24 was £12m.</p> <p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>MRP is required to be charged with respect to borrowing obtained as part of acquiring assets to be held in the General Fund (GF).</p> <p>According to regulations, the duty to make MRP extends to Investment Property where their acquisition has been partially or fully funded by an increase in borrowing or credit arrangements.</p>	<p>We will</p> <ul style="list-style-type: none"> • testing that the council has appropriately calculated its Capital Financing Requirement (CFR). • testing that the Council is correctly identifying capital expenditure subject to MRP charge in line with the guidance. • reviewing and check that the Council's policy on MRP complies with statutory guidance • reviewing Council Committee and sub-Committee papers to check that full council has approved the annual Minimum Revenue Provision statement • checking that MRP has been calculated in line with the authority's policy on MRP • We will make appropriate follow-ups to the 23/24 action points we raised with management on the MRP calculations, judgements and assumptions. • assessing whether any changes to the authority's policy on MRP: <ul style="list-style-type: none"> a. have been discussed and agreed with those charged with governance b. have been approved by full council c. are adequately explained and evidenced d. comply with statutory guidance e. are in accordance with any legal or other professional advice obtained by the authority

Other risks identified

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Presentation and Disclosure	Council/Group	<p>Presentation and Disclosure – Financial Statement Level Risks</p> <p>The council's last unqualified opinion on the financial statements was in 17/18, and subsequent years up to 2023/24 were disclaimed (by BDO and Grant Thornton). In our 2023/24 financial statement audit, we raised a number accounting disclosures and presentation issues with the draft accounts, that were not adequately addressed by management.</p> <p>There is a risk that accounting transactions are not being appropriately presented and disclosed within the 24/25 financial statements.</p> <p>We therefore identified the presentation and disclosure of the financial statements a risk</p>	<p>We will:</p> <ul style="list-style-type: none"> consider the Authority's arrangements for preparing the financial statements and working papers; discuss with key group personnel, the underlying substance of the transactions and judgements made; critically assess the financial statements in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance; We will follow-up on the Cold Review Points and Manager review points that were not addressed as part of 24/25 audit.
Group Accounts	Group Accounts/Council	<p>The Authority is required to prepare group financial statements that consolidate the financial information of its wholly owned subsidiary undertakings. The Code of Practice requires a local authority to prepare group accounts if it has a control over one or more other legal entities. Based on the 23/24 Spelthorne Borough Council (the reporting authority) has two wholly owned subsidiary companies:</p> <ul style="list-style-type: none"> Knowle Green Estates Limited (KGE) - The purpose of the company is to hold investments in residential property around the borough. Spelthorne Direct Services (SDS), Incorporated on 29 June 2020. The purpose of the company is the collection, treatment and disposal of non-hazardous waste. <p>In our audit the Council's and Group accounts in 23/24, we were unable to establish whether the group arrangements and ascertain whether the consolidation was adequate. Furthermore, there a number of material misstatements that were not resolved and disclosures omissions from the Group Accounts.</p> <p>As part of the 24/25 accounts, we will need to understand the key agreements in place for the above mentioned subsidiary companies. We have therefore identified a potential risk of group accounts consolidation resulting in a risk of error.</p>	<p>We will</p> <ul style="list-style-type: none"> review the key agreements to gain an understanding of the agreements put in place on the establishment of the companies; discuss with key group personnel, the underlying substance of the transactions and the basis of the group's proposed accounting treatment of the arrangements; critically assess the economic substance of the transactions to assess the appropriateness of the accounting treatment adopted by the group in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance; review the Group structure of the Council; obtain and copy of the Group materiality assessment to be prepared by the Council; review the qualitative and quantitative materiality of the Council's subsidiaries in relation to the Council's operations. we will follow-up on the management briefing paper on the group arrangements and consolidation process raised in 23/24.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Follow up of prior year recommendations

Included in an appendix to this report are our recommendations because of our external audit work in 2023-24. Given the timing of us concluding this work (January 2025) we have not yet undertaken a detailed follow up exercise. We are aware of the action plan the Council has prepared and the oversight of the action plan and throughout the year we will consider Council progress in implementing the recommendations agreed. Completion of certain recommendations will only be evidenced as we undertake our financial statement audit work at year-end.

04 Group Audit

Group audit scope and risk assessment

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Risk of material misstatement to the group	Planned audit approach and level of response required under ISA (UK) 600 Revised	Response performed by	Audit Scope	Auditor
Spelthorne Borough Council	Yes	Audit of the entire financial information of the component	Group auditor		Grant Thornton UK
Knowle Green Estate Ltd	Yes	Specific audit procedures	Group auditor		MGI Midgley Snelling LLP
Spelthorne Direct Services	Yes	Analytical Procedures	Group Auditor		MGI Midgley Snelling LLP

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Audit scope

- Audit of the entire financial information of the component
- Specific audit procedures designed by the group auditor
- Specific audit procedures designed by a component auditor
- Analytical procedures at group level

Involvement in the work of component auditors.

At this stage we are not planning to place reliance on the work of the component auditors. We plan to undertake our own testing on the material balances consolidated into the group position.

Fraud and litigation

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

05 Our approach to materiality

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
01	Determination We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements	<ul style="list-style-type: none">We determine planning materiality in order to:<ul style="list-style-type: none">establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statementsassist in establishing the scope of our audit engagement and audit testsdetermine sample sizes andassist in evaluating the effect of known and likely misstatements in the financial statements
02	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements	<ul style="list-style-type: none">An item may be considered to be material by nature when it relates to:<ul style="list-style-type: none">instances where greater precision is required
03	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none">We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	Matters we will report to the Audit Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	<ul style="list-style-type: none">We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.In the context of the Council and Group, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £85k (PY £92m) for the Group and £80k (PY£85k).If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Group Amount (£)	Council Amount	Qualitative factors considered
Materiality for the group/council financial statements	£1,709,000	£1,578,000	This benchmark is determined as a percentage of the Group’s Gross Cost of Services and the Council’s accounts (disclaimed 2023/24) Expenditure in year, which has been set at approximately 1.5% for the Group and 1.4% for the Council. Typically, for most District councils we audit, this benchmark is usually set at 2.5% for gross cost of services but for Spelthorne BC, due to a lack of assurance over the last 6 years (disclaimed accounts), and 24/25 being the second of audit, we have set this even lower at 1.5%. In addition, we have adjusted the gross costs of services and removed the impact of the fair value movement of investment properties.
Performance Materiality for the Council	£1,025,000	£947,000	Performance materiality is based on a percentage of the overall materiality. We have applied percentage at 60% in 2024-25, a lower percentage was used as we identified several misstatements in the Council’s accounts and quality of working papers, this will reduce performance materiality to an appropriately low level thereby lower the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Typically, our performance materiality for a district council would be 75% of headline performance materiality.
Triviality	85,000	£85,000	This balance is set at 5% of the overall materiality. We are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance.
Materiality for Officer Remuneration disclosure	20,000	20,000	A lower materiality has been determined for the remuneration report to ensure sufficient audit coverage and to reflect the public interest in disclosures of senior officer remuneration. All errors identified will be evaluated against both quantitative threshold and qualitative considerations.



07 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Centros	Financial reporting	<ul style="list-style-type: none">We do not plan to test design and implementation of the ITGCs. We will seek to obtain an understanding of the IT general controls at the council
iTrent	Payroll	<ul style="list-style-type: none">We do not plan to test design and implementation of the ITGCs

09 Value for Money Arrangements

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Risks of significant VFM weaknesses



As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

Risks of significant weakness in VFM arrangements (continued)

Initial Risk assessment of the Council’s VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor’s work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified , we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements		2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	R	Setting and delivering a balanced budget. Identifying savings plans to close gaps within the Medium Term Financial Plan.	Three significant weaknesses in arrangements identified in 23/24 due to: inadequate medium term financial planning; insufficient plans to address future budget gaps and inadequate management of financial risk.	<p>Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness exists.</p> <p>This will focus on:</p> <ul style="list-style-type: none">• Review of the arrangements over medium term financial planning.• Review plans to address future budget gaps• Review of the arrangements over the financial and risk management
Governance	R	Ensuring adequate governance at the council. Transparency over decision making and appropriate reporting of financial position and risks to committees.	Three significant weaknesses in arrangements identified in 23/24 in relation to decision making and scrutiny, risk management and governance relating to subsidiary undertakings and maintaining appropriate standards.	<p>Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness exists. This will focus on:</p> <ul style="list-style-type: none">• Review of arrangements in respect of decision making and scrutiny• Review of arrangement over the risk management and governance of the subsidiaries.
Improving economy, efficiency and effectiveness	R	Ensuring the Council has adequate processes in place for achieving efficiency, effectiveness and economy .	Three significant weaknesses in arrangements identified in 23/24 in relation to use of financial and performance information, a failure to secure improvement following an external Review, and a failure to deliver efficiency/performance improvements when managing significant outsourced contracts.	<p>Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness exists. This will focus on:</p> <ul style="list-style-type: none">• Review of arrangements in place over use of financial and performance information• Review of arrangement s for achieving efficiency and performance when managing significant outsourced contracts• Review of the Council’s workforce plan.

The Council had a Best Value Inspection during the 2024/25 financial year and the findings were published on the 17th of March 2025, with the Minister looking to appoint Commissioners. We will review the Best Value Report outputs as part our value for money work including recommendations. At the time of drafting this report, we (Grant Thornton), were in the process of considering Statutory Recommendations following on from the 23/24 value for money review.

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor’s annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor’s Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor’s Report and included within our audit opinion.

- G

No significant weaknesses in arrangements identified or improvement recommendation made.
- A

No significant weaknesses in arrangements identified, but improvement recommendations made.
- R

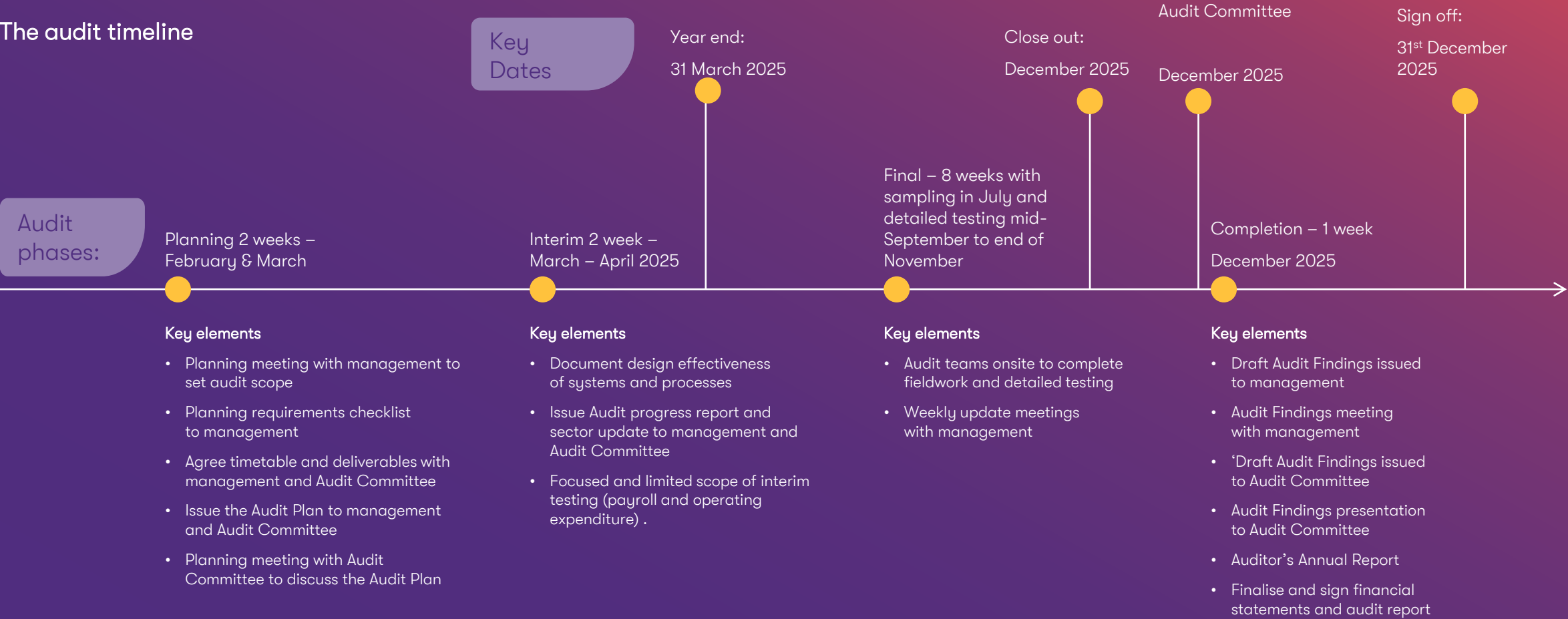
Significant weaknesses in arrangements identified and key recommendations made.

10 Logistics

Logistics

The audit timeline

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Our team and communications

Grant Thornton core team

Joanne Brown
Engagement Lead/
Key Audit Partner

- Key contact for senior management and Audit Committee
- Overall quality assurance

Keith Mungadzi
Audit Senior Manager

- Audit planning
- Resource management
- Performance management reporting

Kristin Li
Audit Team Leader

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Auditors Expert: As part of the 24/25, we will engage an external professional expert within the field of property plant and equipment and investment property valuations. The auditor’s expert will review the council’s annual valuation (assumptions and inputs and source data)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none">• Annual client service review	<ul style="list-style-type: none">• The Audit Plan• Audit Progress and Sector Update Reports• The Audit Findings• Auditor’s Annual Report	<ul style="list-style-type: none">• Audit planning meetings• Audit clearance meetings• Communication of issues log	<ul style="list-style-type: none">• Technical updates
Informal communications	<ul style="list-style-type: none">• Open channel for discussion		<ul style="list-style-type: none">• Communication of audit issues as they arise	<ul style="list-style-type: none">• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

11 Fees and related matters

Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Spelthorne Borough Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £222,275.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Our fee estimate:

We have set out our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements

Company	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Council Audit Scale Fee	205,556	222, 275
Quality of accounts and Other issues	£10,000	tbc
Auditor's Expert 24/25	£19,000	tbc
ISA Group 600		tbc
Reduced Materiality	7,000	
IFRS 16 Implementation		tbc
ISA 315	9,530	tbc
Total (Exc. VAT)	£251,086	tbc

- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
 - Revaluation of Property, Plant and Equipment and Investment Property.
 - Measurement of the defined pension liability.
 - Minimum Revenue Provision
 - Measurement of the impairment of loans.
 - Financial instrument disclosures.
 - Measurement of the Non Domestic Rates appeals provision.

Previous year

In 2023/24 the scale fee set by PSAA was £205 556. The actual fee charged for the audit, was £251,086. This final fee was subject to PSAA approval at the time of drafting this report.

In February we disclaimed the council's 2023/24 financial statements under the government's backstop and due to lack of records, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you should this circumstance arise.

12 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms. In this context, we disclose tat there are no matters that we are required to report

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group’s board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent at planning and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The following tables below sets out the non-audit services charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the group’s policy on the allotment of non-audit work to your auditor

None of the below services were provided on a contingent fee basis

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Spelthorne Borough Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees that is detailed in the table below.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Housing Benefits Grant return	*39,595	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £39,595 in comparison to the total fee for the audit of £222,275 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

*The Housing Benefit fee is the core fee and there is an additional daily rate of £1,500. The number of days varies dependent on the amount of additional testing required. The above fee for the housing benefit is based on the provisional fee agreed with management to undertake the initial testing of the 23/24 subsidy form. The 24/25 fee has not been set yet.

There are no other non audit services.

This covers all services provided by us and our network to the group, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

13 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

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Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

14 Delivering audit quality

Delivering audit quality

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Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

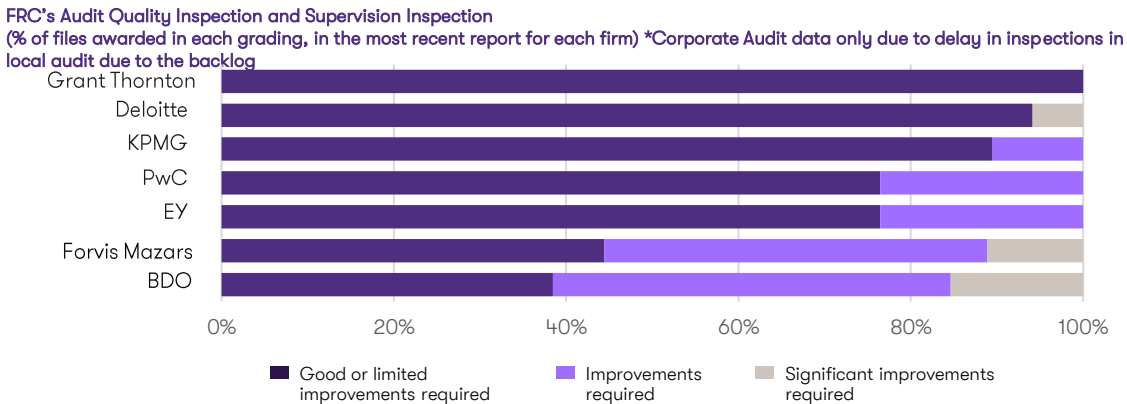
We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



15 Appendices

Prior year audit recommendations

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Assessment	Issue and risk previously communicated
●	<p>Quality of working papers and clarity of the audit trails.</p> <p>We recommended that the Council</p> <ul style="list-style-type: none">• Review the process used to produce the year end accounts and identify areas where further improvement needs to be made• Ensure that all disclosure have supporting working papers and there is a clear mapping between the general ledger and the financial statements• Ensure detailed transaction listing agree to financial statements and cleansed listings are provided. <p>Management Response</p> <p>We agree to review, ahead of the year end, our year end accounts processes, we will ensure all disclosures have supporting working papers with clear mapping, and detailed transaction listings agreeing to financial statements are provided.</p>
●	<p>Review of financial statements</p> <p>We recommended that the Council</p> <ul style="list-style-type: none">• Develop a year end timetable for the production of the accounts which include sufficient time for management review.• Utilises the CIPFA checklist to ensure that disclosures are complete and produced in line with code requirements.• Officers review the requirements of the CIPFA code and any changes pertaining to the year under audit.• Officers engage early with external audit, to discuss any matters that have significant financial implication for the council, such as any significant disposals, additions, or unusual accounting transactions, etc 24/25 <p>Management Responses</p> <ul style="list-style-type: none">• We agree to the recommendations. Drafting of a year end timetable is underway, with a complete timetable to be ready by the end of January. We will engage early with the external auditors on any significant issues.

Key:

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

Assessment	Issue and risk previously communicated
●	<p>Bank Reconciliation Process and Cash and Cash Equivalent</p> <p>We recommended that the Council:</p> <p>Perform a review of the bank reconciliation process to simplify the bank reconciliation process and review and clear all old and out of date reconciling items and ensure that amounts included in the reconciliation and the ledger are valid cash items.</p> <p>Management Response:</p> <p>We agree to the recommendations. A review of the reconciliation process is being undertaken to simplify the process. This will be done by the end of March, we are in the process of closing bank accounts that are not required and moving balances to one General Ledger code to simplify the main bank account reconciliation. After that, there will be two reconciliation to do for two bank accounts (Main & Assets Accounts)</p>
●	<p>Journals and quality of audit evidence</p> <p>We recommend that the Council:</p> <p>Review their arrangements for journals posted and ensure policies are updated appropriately to reduce the risk of error or incorrect posting of journals. This could be through ensuring people approving the journals understand the purpose of the journal and audit evidence and explanations are provided.</p> <p>Management response.</p> <p>We agree with the recommendations and will improve training to the accountants - Mid February</p>
●	<p>Accounting for Pooled Investment Funds</p> <p>We recommend that the Council:</p> <p>Management need to undertake a review of its pooled investment and consider the classification of the pooled investments as to whether they come under the scope of IFRS9.</p> <p>Management response.</p> <p>We agree to the recommendation, however it should be noted that since a decision by Council in October 2024, the Council has been drawing down its pooled funds with the majority of funds now closed with only fund (value of £2.5m currently showing a £370k valuation gain) likely to be still open at 31/3/24 before it is closed in summer of 2025. This will mitigate the impact of IFRS9 on the Council. Moving forwards, we will not have any pooled funds to review.</p>

Assessment	Issue and risk previously communicated
●	<p>Commercial Rental Income</p> <p>We recommend that the Council</p> <p>The Council needs to put in place appropriate arrangements for the ensuring commercial rental income is accounted for in line with prevalent accounting standards.</p> <ul style="list-style-type: none">• Ensure appropriate review of commercial income operating leases (as lessor) and determine impact on revenue recognition.• Ensure the Council updates its accounting policies for operating leases (as lessor) in line with the relevant accounting standard.• Ensure it undertakes a leases audit or review to identify the key information to comply with the requirements of IFRS 16.• Ensure there is a consolidated schedule or working paper folder that summarizes information within the commercial rents income (including lease incentive adjustments, rent reviews etc) and income recognized in year of audit, to facilitate audit being able to audit the information in a timely and efficient manner• Assess the impact of IFRS 15 for those contracts with customers not under scope of lease income i.e. any applicable service charges and other income <p>Management response</p> <p>The Finance team started accounting for lease incentives in the 2023/24 accounts and included backdated adjustments for prior years to the 2023/24 financial year. We agree to the recommendations, but we have provided evidence of revenue recognition in line with relevant accounting standards.</p>

Assessment

Issue and risk previously communicated



IFRS 16 Implementation

We would recommend the Council,

reverse its work on IFRS 16 and undertake a detailed review in 24-25, in the year, the CIPFA code expects all Local Authorities to implement the new accounting standards. In preparation for the audit of leases accounted for under IFRS 16 the Council may need to reviewed the following:

- identified all leases within the public sector adaptation of IFRS 16 where they are a lessee (this includes peppercorn rentals)
- identified all leases within the public sector adaptation of IFRS 16 where they are a lessor
- identified all leases where they are an intermediate lessor and reassessed whether they are operating or finance leases using the period and value of the head lease rather than the life and value of the underlying asset in the assessment
- the following information for each lease:
 - unique reference
 - location of lease documentation
 - description and class of underlying asset
 - initial cost of right of use asset, commencement date of lease
 - expiry date, non-cancellable /enforceable term
 - options to extend (when, cost, likelihood to be applied)
 - options to terminate (when, cost, likelihood to be applied)
 - payment pattern(e.g. advance /arrears, monthly /quarterly/ annual)
 - residual value guarantee if any, initial direct costs
 - lease incentive amount, upfront payments, estimate of rehabilitation costs (dilapidation provision)
 - interest rate implicit in the lease / council incremental borrowing rate
 - any non -lease components, rent review dates, lease modifications

We recommend the Council reverses its 23-24 IFRS 16 entries and look to implement this in 2024-25 in line with most public sector bodies.

Management response.

We agree to the recommendations to add disclosure notes .

Assessment	Issue and risk previously communicated
●	<p>Group Accounts (Consolidation Process and Accounting Disclosures)</p> <p>We would recommend the Council,</p> <ul style="list-style-type: none">• Management should review and address the findings in our review of the 23/24 financial statements. These matters should be addressed prior to completion of the 24/25 financial statements, with responses shared with the auditors on expected treatment of each of the issues identified to avoid these issues being rolled forward into 25/26 financial statements unaddressed. This will facilitate a smooth and efficient audit group accounts preparation and audit process. We have set for this action to be addressed by March 2025. <p>Management response.</p> <p>We agree to the recommendation. Chief Accountant will address in 2023-24 Draft Statement of Accounts by the end of February 2025.</p>
●	<p>Single Entity and Group Accounts (Agreements and Accounting)</p> <p>We recommend that the Council</p> <ul style="list-style-type: none">• Management should review our briefing paper and provide responses to our queries as to whether the Council has appropriately considered the accounting treatment of transactions between the Council and its subsidiaries including evidence to support the entries. There may potentially be complex arrangements and accounting considerations not being appropriately reflected within its agreements. We would prefer a set of responses to be provided to us by March 2025. <p>Management response</p> <p>We agree to the recommendation (note the typo in the recommendation) to be completed by end of February 2025.</p>

Assessment	Issue and risk previously communicated
●	<p>Collection Fund (Business Rates and Council Tax)</p> <p>We recommend that the Council.</p> <p>We recommend that the Council undertake a review of its collection fund workings for 23/24 (and potentially prior years). There needs to be adequate reconciliation undertaken between the system and the general ledger and collection fund entries disclosed in the accounts. Collection Fund workings should follow, guidance as per the Code. In addition, we recommend, provide information pertaining to reliefs applied to accounts in a timely manner.</p> <p>Management response.</p> <p>The Council has taken steps to strengthen its Collection Fund Account monitoring bringing a sector expert who will support the in-house team on a one day a week basis during 2025, with a remit to improve monitoring, improve working papers and build internal expertise and resilience .</p>
●	<p>Property Plant and Equipment and Investment Property Valuations</p> <p>We recommend that the Council</p> <p>Following on from the above issue, undertake a full review of its assets in the FAR and confirm their existence (this work should be documented to enable audit trail and follow-up). In addition, we recommend the Council undertakes a full review of its assets in 24/25 for both the Council and Group assets (including reviewing and addressing our findings from our review of their valuations of Investment Properties and Property Plant and Equipment) to ensure these matters are appropriately addressed and to help facilitate timely report and an efficient audit.</p> <p>Management responses:</p> <p>We agree to the recommendation. To assist in addressing improvements to the Fixed Assets Register the Finance team will revert to progressing, as a matter of urgency, the procurement and implementation of a Fixed Assets software.</p>

Assessment	Issue and risk previously communicated
	<p>Fixed Asset Register</p> <p>We recommend that the Council</p> <ul style="list-style-type: none">• Establish a process to perform an annual review of assets to ensure that all disposals and reclassifications are amended• Establish an in-year process for capital movements to be notified on a timely basis to the finance team to ensure the fixed asset register is maintained accurately. This should be reconciled to the accounts as part of the year end closed own procedures.• The Council should review its FAR and determine whether it is fit for purpose, and ensure its layout is appropriate. The FAR provided for audit was on spreadsheet, and therefore it was unclear what controls exist over the data (i.e. who can amend and change data).• Council should review its FAR revaluation reserves and impairments and ensure those are appropriate and no negative Revaluations Reserves exist• A regular process should be put in place for ensuring the FAR is kept up to date, including a process for updating for additions and disposals occurring during the year.• Review the accounting treatment of properties bought on behalf of another party or parties or Asset Under Construction being built on behalf of another party and the business rationale (i.e. is it for service provision or investment income, surplus asset, or is it for specific purchase and sale or other reasons). <p>Management responses:</p> <p>We agree to the recommendation. To assist in addressing improvements to the Fixed Assets Register the Finance team will revert to progressing, as a matter of urgency, the procurement and implementation of a Fixed Assets software.</p>

Assessment	Issue and risk previously communicated
●	<p>Accounts Receivable (accounting for Q4 billing and Lease Incentives)</p> <p>We recommend that the Council</p> <p>The Council should undertake a detailed review and assessment of its commercial leases and appropriately adjust income in line with the requirement of the standard and corresponding debtor is reflected on the balance sheet through out the length of the lease.</p> <p>The Council needs to put in place robust arrangements at year end to ensure receivables or deferred income on the council’s balance sheet is fairly stated and ensuring the Council’s cash position is correctly adjusted for.</p> <p>Management Comment</p> <p>We agree with the recommendations.</p>
●	<p>Accounts Receivables and Accounts Payable Listings</p> <p>We recommend that the Council</p> <ul style="list-style-type: none">• Perform review of the debtor and creditor account codes to ensure that balances are appropriate and valid and clear those that are not.• As part of working papers provided to the audit team, debtors and creditors provided for audit should have a detailed transaction listing supported with clear audit trails to avoid delays.• Establish a reconciliation process for all debtors and creditor accounts to ensure the balances are fully supported and valid debtors or creditors (removal of in year balances not impacting the closing balance)• Account Codes should be reviewed and ensure they valid debtors and creditors at year end and appropriate reconciliations done to ensure the GL and Control Accounts reconcile. <p>Management response</p> <p>We agree with the recommendations.</p>

Assessment	Issue and risk previously communicated
●	<p>Minimum Revenue Provision</p> <ul style="list-style-type: none"> • Management provide a briefing paper to audit, including evidence of the advice and associated reports and information provided by their adviser (Arlingclose) historically and currently (at present) including management's review of the outputs, clearly setting-out their own judgement and rationale for the key assumptions and inputs. This analysis clearly document the MRP applied on an asset by asset level and why it deems this appropriate and prudent. • We recommend this information be shared with members, for them to be informed of the key judgements and assumptions management are making and overall impact to the financial sustainability of the Council. • A clear review of the asset lives adopted by the Council within its MRP calculations from a qualified professional and how these align to the Council's asset strategy and current MRP asset lives. • Undertake a sensitivity analysis of applying different inputs and assumptions to the MRP model and expected impact and provide explanations on why the current inputs/assumptions are appropriate. • Resolve the Fixed Asset Register issues noted in this report and inconsistencies in AUC – which are not being charged MRP as per the policies adopted. • Assess the impact of not currently AUC currently delayed or being disposed off (originally acquired via borrowing). • Assess the impact of not charging MRP for loans advanced to third parties and subsidiaries for capital purpose. • Provide the workings and any advice provided by Arlingclose on the over-provision applied in 21/22 being recovered in future years. • Consider reviewing and assessing the impact of the new MRP guidance that will come into effect from 1st April 2025. <p>In addition to the MRP policies adopted by the council being shared with members on an annual basis, management should provide greater details for members on the key inputs and assumptions driving the MRP calculations for the Council and provide the profiling of expected General Fund impact for future years and income projections from associated investments underpinned by robust projections and assumptions.</p> <p>Management Comment:</p> <ul style="list-style-type: none"> • We agree to the recommendations- more information will be provide on MRP in future for councillors.. Given that the Council in line with one of the options under the guidance is using the annuity method and that the Council's debt was all taken out relatively recently mainly in the period 2016-18 it is not surprising that at this stage the annual MRP percentage is below 2% but under the annuity method it increases each year and ensures ultimately the full MRP is made. Whilst correct that MRP in future years will be greater at the same interest payments (particularly given rate of interest is fixed) will fall so the two elements broadly balance each other out. Arlingclose have been working with the Finance team to complete a MRP review.
Assessment	Issue and risk previously communicated
●	<p>Trade Payables</p> <p>Arrangements should be put in place to review balances on the Council's general ledger that have been rolled forward for a number of years and ensure these are matched to subsequent payments or appropriately cleared.</p> <p>Management response.</p> <p>We agree with the recommendations</p>

Escalation Policy



The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

IFRS reporters New or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within Local Government.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

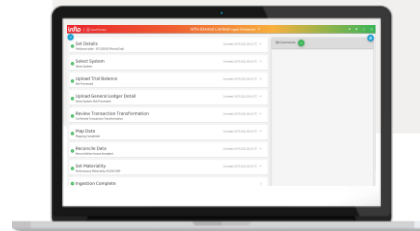


02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

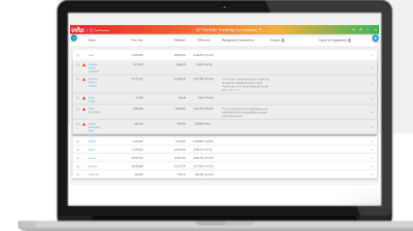


03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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Audit Committee

10 July 2025



Title	Corporate Risk Register (Corporate Risk Management)
Purpose of the report	To note
Report Author	Lee O'Neil, Deputy Chief Executive
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	Community Addressing Housing Need Resilience Environment Services
Recommendations	Committee is asked to: 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.
Reason for Recommendation	The Corporate Risk Register must continue to ensure that the Council's most significant risks in relation to achievement of corporate priorities and objectives are identified, managed, monitored, and reported. Continued visibility and ownership of the risks and issues raised in this report is recommended across the Council due to the significant and wide-reaching implications. This will support improved coordination in implementing risk management strategies.

1. Summary of the report

What is the situation	Why we want to do something
The Corporate Risk Register continues to ensure that the Council's most significant strategic level risks in relation to achievement of corporate priorities and objectives are regularly identified, managed, monitored, and reported. The current reporting	Exposure to wider externalities and other unprecedented pressures continue to present challenges to the Council and to the delivery of its corporate priorities. The approaches being taken to proactively manage identified risks and

frequency coincides with the Audit Committee cycle and work programme	mitigate their impact are referred to in this report and related appendices.
This is what we want to do about it	These are the next steps
The Corporate Risk Register and related processes provide a mechanism for regularly reviewing risks to ensure any threats to the Council and its services can be addressed/minimised.	The corporate management team and lead Committee hold collective ownership and accountability for ensuring these strategic corporate risks are effectively managed. In doing so they are supported by designated risk owners (at Group Head or other senior manager level) who are responsible for overseeing the day-to-day management of these risks and ensuring future risk management strategies are progressed/implemented.

- 1.1 This report highlights significant strategic risks in delivering the Council's priorities (CARES) and objectives, current strategies to manage risks (defined as current controls and current mitigations) as well as any future strategies to manage associated risks.
- 1.2 The Council continues to encounter some challenges in delivering its corporate priorities due to exposure to wider externalities (including inflationary pressures and demands for housing). The approaches taken to proactively manage identified risks and mitigate their impact are referred to in the appendices to this report.
- 1.3 The risk register has been updated to reflect progress with the Government's proposals for Local Government Reorganisation (with Surrey in the first wave of authorities to be involved), the result of which will mean that Spelthorne will no longer exist as a sovereign authority within 2 years.
- 1.4 The risk register has also been updated to reflect:
 - (a) The Council's ongoing response to External Audit Reports and Best Value Inspection including the development of a detailed Consolidated Action Plan to address the recommendations from these reports and other external reviews, and
 - (b) The subsequent intervention by Government appointed Commissioners ('the Commissioners') following the Best Value Inspection of the Council.
- 2. Key issues**
 - 2.1 At the last meeting of this Committee, Members received a slimmed-down version of the risk register with the number of risk subject areas consolidated and reduced from 25 to 17. An additional risk category had been added to cover the Council's Response to External Audit Recommendations. This risk category has now been extended to cover the Council's response to the Best Value Inspection and the subsequent intervention by Government appointed Commissioners.

- 2.2 As referenced at the previous Audit Committee, work has been undertaken to further consolidate and reduce the number of risk categories and subject areas to provide more focus on the key risks to the Council, reduce the narratives and duplication of information. This has now reduced the number of risk categories from 10 to 9 and the number of risk subject areas from 17 to 14. Following feedback from the last Committee and recent audits, a number of other changes have been made to improve the register, including:
- (a) Changing the previous 'Lead Officers' to 'Risk Owners' for each risk category, with Management Team and the Corporate Policy and Resources Committee retaining overarching ownership of the Corporate Risk Register and accountability for ensuring that strategic corporate risks are effectively managed.
 - (b) Greater clarity on the key risks and more consistent language used for each risk category.
 - (c) Adding reference to the risk of not achieving savings targets to Risk Category **4A 'Managing increased costs and demands for services'**.
- 2.3 The updated Corporate Risk Register is shown in **Appendix A** and reflects any changes in the risks outlined at the time the report was written. The key headlines and updates to report across the broad risk categories on the register emerging from the current review are set out below.
- Appendix B** – Outlines the current and previous risk scores and how they have been calculated from the assessment of the likelihood of a risk occurring against the impact this could have.
- 2.4 Further changes may be necessary in the future to add new key risks and remove any subject areas where risks are eliminated or reduced to an acceptable level.

Changes in risk scores and other key updates

- 2.5 There are no changes to the scores since this was last reported to Committee in May 2025. The information contained within the register has however been updated for each risk subject area, including:
- (a) **7 – Corporate Capacity, Resources, Recruitment and Retention – Corporate Capacity – Remains Red RAG**. The risk score remains at 12 reflecting ongoing pressures on workloads:
 - The initial work gathering data for submissions on planned Local Government Reorganisation for Surrey has been completed but ongoing engagement continues between Surrey Leaders and Chief Executives and with the Government who launched a consultation exercise on the proposals in June 2025.
 - Follow-up work associated with the Best Value Inspection (BVI) and external audits continues with implementation of a range of planned actions. The Council is currently working with Commissioners to develop an Improvement and Recovery Plan to address the findings of the BVI report.
 - Work associated with the planned expansion of Heathrow has paused pending further information from the Government/Heathrow Airport Ltd on any plans for expansion.

- Specific service area pressures continue due to increased workloads, e.g. in Environmental Health.

(b) **7 – Corporate Capacity, Resources, Recruitment and Retention – Recruitment and Retention - Remains Red RAG.** The risk score remains 12 reflecting the continued risks of staff becoming unsettled or unwilling to join the Council due to the Government's planned reorganisation of local government, something which is mirrored across Surrey.

(c) **9 – Local Government Reorganisation (LGR) – Both Strategic decisions and Change management Risk Subject Areas Remain Red RAG,** with their risk scores at 16, whilst uncertainty and future challenges remain over the Government's plans for reorganisation of local government in Surrey. A decision on any future unitary configuration for the county is not now expected until mid-October 2025.

Future changes to Risk Categories

- 2.6 In view of recommendations made in the External Audit and Best Value Inspection reports, plus ongoing issues associated with a number of the Council's contracts (including the Eclipse Leisure Centre and Sunbury Leisure Centre Decarbonisation project) it is proposed to add a new risk category to the next update of the Register to cover the risks around 'Contract Management'.
- 2.7 Further adjustments to risk categories/subject areas and associated narratives may be necessary as the full details and implications of Local Government Reorganisation become available. Similarly, the register will need to be kept under review to ensure that it remains aligned with the development and implementation of the Council's Improvement and Recovery Plan, under direction from the Commissioners.
- 2.8 The Committee will also need to consider any emerging new risks, or any item currently on the register where the risk is reduced to an acceptable level to remove the item from the register.

3. Options analysis and proposals

- 3.1 The revised register and related appendices are an accurate reflection of the high-level significant risks affecting this authority, based on consultation with managers and assessment of risk and controls in operation.

3.2 Option 1 (recommended option) –

To consider the contents of the Corporate Risk Register including any revised/consolidated risk categories, any further risk categories that can be consolidated or removed, residual risks highlighted, current risk management strategies (current control actions, current mitigating actions) and future risk management strategies.

Option 2 –

To recommend amendments to the Corporate Risk Register for consideration by the Corporate Risk Management Group.

4. Financial management comments

4.1 The risk scores within the register continue to be influenced by a number of key underlying themes around financial risk due to:

- Ongoing funding challenges for local authorities, particularly in light of the Government's current consultation on local government funding reform,
- Increased demands on services, particularly in the area of housing,
- Risks associated with managing the accumulated capital costs of £10-15m arising from the suspension of direct delivery of the Council's Housing Development programme and the significant annual holding costs for Council-owned development sites, and
- Continuing high cost of debt, despite recent reductions in inflation.

5. Risk management comments

5.1 The Council's corporate and strategic risks impacting the effective achievement of corporate priorities, represent the most significant risks facing the authority. The register contains a list of broad strategic risk categories, comprising specific risk subject areas that align to the broader category. Risk descriptions and consequences are identified and articulated, as well as the current controls and current mitigation measures in place to manage these risks. Current controls are those actions intended to reduce the likelihood of occurrence of the risk event, whilst current mitigations are those actions intended to reduce the impact of a risk event should it occur. Taken together, current controls and current mitigating actions represent current risk management strategies. Future risk management strategies are also included in the register documentation.

6. Procurement comments

6.1 Any procurement considerations relating to the risk categories on the register should be identified by the respective Risk Owners and are likely to form part of separate reporting/communications.

7. Legal comments

7.1 Some corporate risks facing the Council as identified on the register are driven or influenced by statutory requirements. For example, at risk category 8 - Equalities, Diversity and Inclusion refers to the Equality Act 2010.

8. Other considerations

8.1 It should be noted that there could be further developments under any of the risk categories between the report being drafted and this being reported to the Committee. Any significant changes would therefore be reported verbally at the Committee as necessary.

9. Equality and Diversity

9.1 The Corporate Risk Register incorporates Equality, Diversity and Inclusion as a specific strategic risk category and sets out current controls and current mitigation measures in place, as well as future risk management strategies.

10. Sustainability/Climate Change Implications

- 10.1 There are none separate to those in the revised Corporate Risk Register, and some updates have been made under the broad risk category 6 as part of the review of the register.

11. Timetable for implementation

- 11.1 Future risk management strategies show lead Council officers responsible for progressing actions, together with target timescales for implementation. The register content is reviewed and updated at least four times a year in consultation with the corporate Management Team, Group Heads and managers. It is coordinated, analysed, and reported by the Deputy Chief Executive, which includes identifying new risk descriptions, high level review of relevance of control and mitigation actions being reported in context of risk area, and proposing new risk management strategies in consultation with managers, where deemed appropriate.

12. Contact

- 12.1 Lee O'Neil – Deputy Chief Executive (l.o'neil@spelthorne.gov.uk)
- 12.2 Please also refer to contact names provided for Risk Owners who hold responsibility for implementing systems of internal control and mitigating actions to manage and alleviate the risks identified against each broad risk category and risk subject area.

Background papers:

There are none.

Appendices:

Appendix A - Corporate Risk Register – this includes related narrative content as well as (i) level of assessed risk i.e., Red/Amber/Green - RAG status of each risk category (ii) Numerical Risk score and Direction of Travel.

Appendix B – Risk scoring matrix summary (incorporating consolidated Risk Subject Areas) – level of assessed risks in the register.

CORPORATE RISK REGISTER – JUNE 2025

Risk Category: 1 - Housing – Delivering targets for housing development and affordable housing requirements

Risk Subject Area: a. Addressing affordable housing supply and demand to meet local need

Corporate Priorities: Addressing Housing Need

Risk Owner(s): Coralie Holman/Karen Sinclair

Date of update: 12 June 2025

Previous Risk Score:

12

Current Risk Score:

12

Future Risk Score:

9

Risk description

Cost of living crisis, shrinking private rented sector, insufficient number of affordable housing units, migration (refugees and asylum seekers) and rising costs of rent will continue to result in increasing demand for affordable units whilst the supply of suitable accommodation has reduced.

Impact on residents and their housing need due to the Council stepping back from direct housing delivery. This means that the Council is now reliant on 3rd party developers/Registered Providers to come forward with proposals that meet the Council's objectives.

Risk that Council development sites that are sold/developed by 3rd parties do not deliver the desired level of affordable housing, e.g. due to viability issues.

Registered Providers (RPs) not developing in the area or taking on S106 units from developers. Wider viability challenges have meant that private developers and RPs have historically not provided sufficient affordable units to meet local demand.

Lack of affordable housing supply increases homelessness with increased demand for temporary or social housing. Demand has increased significantly over the last few years and is likely to increase further.

The cost of temporary accommodation sourced on the private market, grows as the demand increases. ¹

The impact of Renters' Rights reform may lead to landlords exiting the market adding further pressure. ²

The types of housing units that are available on the market may not meet local resident needs or address client special needs for accommodation.

Any delay in adopting the Local Plan would not assist in progressing a wide spread of units for differing needs.

Uncertainty over future of external funding for homeless clients with complex needs requiring intensive support, whilst demand and resource requirements are growing for this service. ³

Geopolitical factors continue to present increased demand in supporting refugee communities and consequently managing the provision of suitable and secure housing.

Increased rate of determination of asylum seekers claims is resulting in more residents at the Asylum Seekers initial accommodation hotel in the Borough presenting to the Council seeking housing support. ⁴

NOTES:

¹At present the average annual cost of a placement in temporary accommodation is approximately £20,000 per annum.

² Update 21/05/25 - Renters Rights reform expected in late summer 2025; local estate agents confirm increased number of instructions for sale of rented properties.

³ Without the support, clients are unable to maintain a tenancy, which even if placed, will lead to reoccurring homelessness].

⁴ This is an external pressure which has led to increased service demand, which is continuing. Consistent demand from asylum hotel in the area. Some funding now received from the Government, but demand continues, plus some pressure from central government to accept more refugee families and assist with housing. The Council has responded confirming the lack of current capacity to assist further. Also, central government asked local authorities for support with future asylum housing pilot schemes, SBC have responded confirming lack of current capacity.

Housing Register Numbers: The Council undertakes an automatic review of circumstances every 6 months to keep the register up to date.

	Jan 2025	May 2025	12 June 2025
Total on Housing Register	2,495	2,581	2,526
Excluding Category D ("Low housing need and no "deemed need")	1,533	1,607	1,579

Current control actions:

Council owned regeneration/development sites:

Although a Development Delivery Strategy and site prioritisation was agreed by Full Council, any decision-making around Council-owned regeneration/development sites will now be taken forward working in collaboration with the Commissioners as part of the broader Improvement and Recovery Plan.

Professional advice, expertise and input from officers, and sources of expertise to be agreed with the Commissioners to guide and support on the implications of any proposed routes put forward. Established policies and framework, plus governance and reporting arrangements to be kept under review to ensure effectiveness.

Scrutiny of decisions is embedded within the Committee system of governance, and a 'call in' procedure can be invoked, if required.

Managing housing need:

The review process for S106 agreements with developers aims to capture additional affordable housing.

Use of commuted sums to deliver additional affordable units.⁵

Quarterly Strategic Action Plan monitoring and review relating to Housing and Homelessness Strategies. Member approved tenancy strategy.⁶

More robust eligibility criteria now applied in determining applicants for the Social Housing Register, to reflect Allocation Policy.⁷

Homelessness Reduction Act incorporates proactive and preventative measures to support those at higher risk of homelessness.

Collaborative working with Registered Social Landlords and Partners to pursue delivery of affordable housing need and manage pipeline of units.⁸

Use of Local Authority Housing Fund (LAHF) capital funding programme (Rounds 1, 2 and 3) to acquire properties to house homeless refugees, as well as delivery of temporary accommodation.⁹

Delivering further Locata upgrades to improve data management and reporting, as well as more effective service delivery.

NOTES:

⁵ Update 21/05/25 - s.106 agreements have been reviewed. A commuted sum has been secured for developments in Spelthorne, the usage of the sum is being reviewed with a range of options including purchase of affordable housing units which would improve opportunities to most vulnerable families on the Council's housing register. In addition, the Ashford Cemetery Lodge property is proposed to be used for long term affordable housing use. This property was renovated with the use of commuted sum funding. Also, some

progress in discussions with Metropolitan Thames Valley Housing (MTVH) Registered Provider who intend to purchase the site at Hazelwood Drive in Sunbury for 100% affordable housing delivery - 63 units of various sizes with proposed start on site in Oct 2025 and completion within 20 months.

⁶ Update 21/05/25 - all actions now incorporated into Spelthorne Housing, Homelessness and Rough Sleeping Strategy and delivery monitored by SHG

⁷ Update 12/06/25 - we observe positive impact of the regular circumstances review with Housing Register information being kept up to date

⁸ Update 21/05/25 - the delivery of housing at Hazelwood Drive in Sunbury is an example of positive and proactive engagement with RPs.

⁹ Update 21/05/25 – properties for latest funding round agreement now identified, approved by Members and in the process purchasing 4 units (3 TA and 1 settlement).

Current mitigating actions:

Council owned regeneration/development sites:

The Commissioners review will consider all Council sites to determine those which are suitable for disposal and which should form part of a comprehensive disposals strategy across all Council owned land and property assets. This may result in timings for the disposal of Ashford MSCP, Oast House (in Car park), Benwell Phase 2 and the Whitehouse residential development site all being re-prioritised in terms of disposal timing. Additional work is being undertaken to accelerate the delivery of housing outcomes on these sites, as part of the Improvement and Recovery Plan.

Assessment of options incorporating mitigation of holding costs on development sites.

Following a productive session between Administration, Group Leaders and Professor Morphet a range of suggestions were generated as to strategies which could be explored to help address provision of affordable housing. Community Wellbeing and Housing has approved a refreshed Housing, Homelessness and Rough Sleeping Strategy which, as part of the delivery plan, incorporated actions relating to the suggestions made. Progress against the agreed actions being reviewed on a quarterly basis by Strategic Housing Group.

Council continues to lobby for additional funding support in recognition of the resourcing and financial impact of more asylum seekers presenting in need of housing support. - additional funding now received from government which helps to cover the cost of temporary accommodation for asylum seekers.

Applying Home Office funding and implementing wider schemes to provide additional support to refugees. – ongoing.

Future actions:

Type: Mitigation

Timeline: Commence April 2024

Description: Identification and rigorous assessment of alternative Development Delivery Options for Council Owned Development Sites, to ensure they represent financially viable and sustainable solutions in delivering development targets. Finalisation and implementation of Member driven strategy for delivering housing outcomes across sites owned by the Council as approved by Business Infrastructure and Growth (BIG) Committee on 12th September 2024 and Council October 2024.

Status: In Progress

Comments: Despite the guidance of the strategy, there are still differing views about the approach to progression of the sites. There is an aspiration to deliver affordable housing, however this is impacting the level of disposal receipts that can be obtained for the sites. This will now be taken forward in collaboration with the Commissioners as part of the broader Improvement and Recovery Plan.

Type: Mitigation

Timeline: June 2025

Description: Once strategy routes have been confirmed, monitoring mechanisms to be pursued with revised timelines for delivery of targets.

Status: In progress

Comments: One site disposal has been completed in the form of an agreement for lease being granted on the Waterfront site. Extraordinary Council on 18th March 2025 approved the disposal of Ashford Victory Place with an obligation for at least 30 affordable rental units to be provided. There is a risk that the purchaser is unable to follow through with a Registered Provider and deliver the affordable housing units, Officers are liaising with Commissioners as to steps which can be taken to mitigate this risk. Business, Infrastructure & Growth Committee (March 2025) approved the marketing without encumbrances of Thameside House. Planning Committee 2nd April approved planning application for mixed use scheme for Ashford Multi-Storey Car Park site. Any further actions will now be taken forward in collaboration with the Commissioners as part of the broader Improvement and Recovery Plan.

Type: Mitigation

Timeline: June 2025

Description: Targeted exercise to identify potential tenancy fraud, with a view to freeing up social housing. Ongoing project – aim to complete by June 2025.

Status: In progress. A tender exercise is underway to extend counter fraud arrangement to beyond the potential vesting day and creation of a new unitary.

Comments: None

Type: Mitigation

Timeline: November 2025

Description: Officers plan to deliver a Landlord Forum for landlords to share information, promote Spelthorne Rent Assured service and to engage with the community. The Forum will also cover the impact of the Renters Reform Bill

Status: In progress

Comments: None

Risk Category: 1 - Housing – Delivering targets for housing development and affordable housing requirements

Risk Subject Area: B. Local Plan

Corporate Priorities: Addressing Housing Need

Risk Owner(s): Heather Morgan, Jane Robinson

Date of update: 9 June 2025

Previous Risk Score:

4

Current Risk Score:

4

Future Risk Score:

2

Risk Description

Delays in the examination and adoption of the Local Plan are likely to continue to adversely impact on the ability to bring forward the appropriate quantum of housing development (currently 618 dwellings pa). This lack of certainty means that the Council is not able to strategically direct where housing should be built and instead relies on schemes coming forward on an ad hoc basis. Some of these decisions may be taken out of our hands and dealt with by appeal. The lack of a plan does not give the landowners and developers the necessary confidence to bring forward sites for housing – our housing delivery is around 60 - 65% each year of what it should be.

The Local Plan process needs to be subject to robust independent challenge via Examination, to determine if it can be found 'sound'. There is a risk that post Examination, the Inspector does not find the Local Plan sound (with or without Modifications).

If the Local Plan cannot be found sound and adopted, then we will have to immediately produce a new Local Plan under the new NPPF with a higher housing number (755 pa) plus a 20% buffer for under-delivery bringing it closer to 1,000 per annum. This would mean considering options now around the release of more grey and green belt, more infill sites within the developed area or increasing the level of development in our town centres.

Current control actions:

Planning regulatory framework.

Planning Committee, Officer presentations/professional advice and Member decision making.

Planning policies and guidelines.

Council is working with Commissioners to deliver a realistic plan to deliver housing numbers outlined in its Local Plan, as part of the broader Improvement and Recovery Plan.

Current mitigating actions:

The Local Plan relies on several significant sites within the Council's ownership coming forwards in Staines over the plan period. All schemes progressed on Council owned land will be considered against the flood risk to ensure appropriate mitigation is included within the scheme design. This will only apply where the Council has direct control. If a site is disposed of, it will be for the subsequent owner to ensure flood mitigation is in place. Flood risk mitigation will be integral to all decisions by councillors on joint ventures/partnerships on sites within Staines-upon-Thames.

Future actions:

Type: Control

Timeline: adoption of the Local Plan by end of 2025.

Description: Preparation and adoption of the new Local Plan to meet future housing need and strengthen policies around housing delivery (including via site allocations) and affordable housing.

Status: In progress

Comments: Examination held Jan/Feb 2025 with robust justification for the Plan put forward, alongside some suggested Modifications to overcome any areas of debate. The Council is currently undertaking a formal six-week consultation period on the Proposed Main Modifications. Responses will go directly to the Inspector, who will then decide whether the Plan is sound or not. The final decision on whether to adopt will sit with Council.

Update 09.06.25 – Main Modification responses have gone to the Inspector for his consideration. Groundwater concerns being raised by residents' groups, which Inspector has advised does not form part of his considerations on whether the Plan can be found sound or not.

Risk Category: 2 - Economy

Risk Subject Area: National and regional threats to local economic prosperity

Corporate Priorities: Resilience

Risk Owner(s): Heather Morgan

Date of update: 9 June 2025

Previous Risk Score:

9

Current Risk Score:

9

Future Risk Score:

6

Risk Description

Risk of shrinkage of local economy.

Risk of increased local unemployment.

Risk of reduction in Business Rates and Council Tax income.

NOTES:

NB.[The potential for increased level of business failures amidst the growing 'Cost of doing business crisis' has led to closure of some retail and business units across the borough because of wider economic instability (inflationary pressures and increase in borrowing) and the need to pass on increased costs (e.g. increased employer National Insurance contributions and high energy costs) to the consumer. These factors combined have placed additional burdens on SME's in particular, who run on tight margins. This impacts the economic prosperity of the borough and affects collections rates for business rate income, with reduced levels likely to impact the Council's finances and services available. Whilst Council actions aim to support businesses and the local economy, these actions alone can only have a limited impact due to the overarching effects and long-term uncertainty of the macroeconomic environment, market volatility and geopolitical factors over which the Council has no influence].

Current control actions:

An Economic Prosperity Strategy (2023 – 2028) which was updated via an internal review in 2024, addresses the key actions which face the borough. It incorporates a detailed strategy action plan detailing performance management measures and anticipated outcomes. This will need to be refined if the decision is made to close the Business Incubator.

Monthly monitoring of Collection fund - Business Rates and Council Tax collection rates. There is regular reporting of these to Corporate Debt Group and as part of quarterly KPI's to Councillors. As at end of 2024-25, the business rates collection rate was 97.9% compared to outturn for 2023-24, which was 99.1%. As at end of 2024-25 the Council Tax collection rate was 97.4% compared to outturn for 2023-24 which was 97.5%.

All the Shared Prosperity Fund projects to support economic regeneration have now been delivered (04.25), including (1) climate change audits (2) consultancy support to ensure businesses can be sustained (3) funding for employment and skills hub.

Current mitigating actions:

Local mitigating measures taken by the Economic Development team include several measures to strengthen the resilience of local businesses in the face of future challenges - e.g. website design and increasing social media presence, energy efficiency measures, business networking and business to business support

The Spelthorne Jobs and Skills Hub relocated to its new location (old Argos unit) in mid-August 2024. Considerable strides have been made to extend multi-agency working with other partners to assist residents getting back into work (best use of pooled resources)

Growth bids were approved by the BIG Committee (December 2024) to ensure the ongoing operation of the very successful Jobs and Skills Hub (supporting people back into work) and the Business Incubator (supporting fledgling businesses).

Future actions:

Type: Mitigation

Timeline: End March 2026

Description: : Potential re-location of the Business Incubator from Sunbury (Hanworth Road) to Staines

Status: In progress (report on whether to relocate scheduled for BIG committee in July 2025).

Comments: Project team has been set up

Update 23.06.25 – Discussions in progress regarding future of the Business Incubator once Summit Centre is sold.

Type: Mitigation

Timeline: End March 2026

Description: Securing a Business Improvement District for Ashford

Status: In progress (report on whether to proceed with the process of voting for a BID in Ashford scheduled for BIG committee in July 2025)

Comments: Initial work/business engagement undertaken in March/April 2025.

23.06.25 –business engagement has finished and consultant's report received. Report to be taken to September BIG committee.

Type: Mitigation

Timeline: End June 2025

Description: Apply for bid funding from Surrey County Council (SCC) for a Countywide one stop shop for employability support for all ages and circumstances (133,000 economically inactive across the County).

Status: In progress

Comments: Staines would be the main hub with others across Surrey to deliver employment and skills training, workshops, skills courses, bespoke careers fairs etc. It will help to sustain the Hub with an ongoing revenue stream. Cross borough project team has been set up

Update 09.06.25 – Expression of Interest (EOI) has been accepted by SCC. Business Case to be submitted by end June 2025.

Risk Category: 3 – Financial Resilience and Commercial Assets

Risk Subject Area: Commercial investment portfolio

Corporate Priorities: Resilience

Risk Owner(s): Coralie Holman

Date of update: 11 June 2025

Previous Risk Score:

9

Current Risk Score:

9

Future Risk Score:

6

Risk Description

Loss of rental income and increased costs. ¹

There are additional risks in years when a number of leases across the portfolio may be up for renewal. If key commercial asset leases are not maintained or renewed this may have implications for maintaining flow of rental income.

Where asset holdings are aligned to a specific sector or location this could be impacted by wider externality factors and potentially present limitations in deriving optimal value.

Risks that costs of refurbishment and upgrades over time will cost more than anticipated. Longer term risks around ensuring assets continue to meet high environmental standards.

This may impact on the future financial sustainability of the Council, and our ability to deliver discretionary services, leading (worst case scenario) to the Council becoming financially unsustainable with associated reputational damage.

A key risk would be if sinking funds are not built up sufficiently to address potential future dips in rental income. ²

Risk to delivery of services due to need to significantly reduce net subsidy from asset income. ³

NOTES:

¹ *[Externalities i.e. economic factors which impact individual Business's accommodation strategies, plus inflation and subsequent geopolitical and trade turbulence, continue to increase the Council's exposure to financial risk, resultant from vacant property holding costs in the form of Service Charge and Business Rates liabilities with possible implications for the investment portfolio, including loss of anticipated rental income and increased costs from vacant space].*

² *[The Council has a period of between 41 and 43 years before the debt finance associated with the acquisition of the investment assets is fully paid off. Over this period the Council is looking for the assets to deliver an ongoing income stream, to support the Council's Revenue Budget (currently that is about £10m per annum, although this is now planned to be stepped down in future years). In order to manage the risk of there being dips in the rental income in future arising from voids and rent free periods the Council has been building up sinking funds reserves to act as a safety net].*

³ *[Longer-term modelling has indicated that current levels of setting aside into sinking funds needs to be steadily increased by 2031 to cope with the risk of significant tenant churns at certain points in the future. This will require the Council to halve the current net subsidy of services from £10m to £5m over that period. This will require comprehensive transformation programme. In collaboration with the Commissioners, further modelling, working with external experts, is being undertaken to evaluate the risk].*

Current control actions:

A new overarching Asset Management Strategy (AIS) & Asset Management Plan has been approved for the 24/25 - 27/28 financial year period. It is expected this will be supplemented with a new 3-year disposal strategy resulting from work being directed by MHCLG via appointed Commissioners to undertake a portfolio rationalisation to generate capital receipts which can be used to reduce the Council's level of borrowing.

Individual Business Plans for all assets, with a summary portfolio level AIS focused on the coming 12-month period. New Business Plans for 25/26 exit strategies for all the investment assets have been produced and taken to the Commercial Assets Sub-Committee and approved in advance of an overarching Asset Investment Strategy for 2025/26 to be presented to Corporate Policy and Resources Committee in May 2025. These exit strategies feed into the Sinking Funds modelling. The Council is working with Commissioners to develop a comprehensive commercial strategy, with clear approaches to its investment and regeneration portfolios, including prioritised exit strategies for the commercial investments and realistic and deliverable strategies for the regeneration sites.

Approved Capital Strategy includes key performance indicators with a particular focus on the investment portfolio. The investment portfolio has its own bespoke KPIs and Risk Register. Performance management measures – KPIs are reviewed annually and benchmarked against external, regional property indicators i.e. vacancy rates, market rentals, occupier demand. Governance reporting - Investment performance reported regularly to Councillors at Commercial Assets Sub-Committee, Business and Infrastructure Growth Committee and Corporate Policy and Resources Committee.

Implementation of the Council's Transformation Programme, which was agreed by CPRC in December 2024 as part of the Outline Budget for 2025/26. The Transformation Programme is currently on hold whilst additional evaluation of the Budget gaps is coordinated by the Commissioners. Moving forwards this will become part of the Improvement and Recovery Plan.

Current mitigating actions:

An evaluation of sinking fund reserves strategy is being progressed to assess whether the funds can support future periods of tenancy voids and offset dips in rental income. Monitoring of contributions and overall amount of sinking fund balance held.

An initial major refresh of the Sinking Funds modelling has been undertaken which suggests that over time the Council will need to set aside more of the rental income into the Sinking Funds Reserves, to build up those balances sufficiently rapidly to have sufficient funds to meet future pressure points. In turn this will mean over time the Council will need to halve the current net level of subsidy of services from the investment assets from £10m per annum to £5m by 2031. This will require a significant transformation programme across the organisation, adapted to take into account which elements are deliverable within the time constraints of Local Government Reorganisation, which will mean that Spelthorne will no longer exist as a sovereign authority by April 2027. The Council is engaging with Commissioners to agree how the Sinking Funds model can be further refined, and is exploring the opportunity for independent experts to review the model. One additional review with an external consultant has been commissioned and the Council is currently awaiting the report. To improve the resilience of the model and make sensitivity analysis the Council is considering moving the model on to Argus software.

Sinking Funds modelling has been refreshed over a 50-year period, with ability to input and flex a range of parameters. Refreshed sinking fund model was reported to Corporate Policy and Resources on 20th January 2025, and once a user specification has been agreed there will be a demonstration of the model to members of that Sub-Committee and members of the Commercial Assets Sub-Committee before a further report is brought back to Corporate Policy and Resources Committee. Additional external advice is being sought to provide additional scrutiny and assurance. As outlined above the appointed MHCLG Commissioner team are reviewing all commercial assets to inform a 3-year disposal strategy and suitability of assets to be owned longer term.

Ongoing management of voids with a view to reducing the portfolio void rate. Assets team proactively working to fill voids quickly using external lettings agents, understanding market demand and the size of accommodation needed.

On 8th May 2024 DLUHC (now MHCLG) announced a Best Value Inspection process to review how the Council mitigates risk. The Best Value Inspection report was published in February and the Council are now working with MHCLG appointed Commissioners. The Council will work with the Commissioners to develop a comprehensive commercial strategy, with clear approaches to its investment and regeneration portfolios, including exit strategies for the commercial investments and realistic and deliverable strategies for the regeneration sites.

A Consolidated Action Plan, tracking progress of actions relating to the CIPFA and BVI reports went to Audit Committee on 8th May 2025. At the request of the Commissioners the update reports have been put on pause.

Implemented Public Interest Report (PIR) Action Plan - reported to July 2024 Audit Committee and accepted by Councillors. A Consolidated Action Plan tracker including PIR actions presented to Audit Committee on 8th May 2025.

Proactive monitoring of key lease renewals to secure ongoing rental income or pursue options for alternative use. Assets team engage with tenants ahead of lease ends/breaks coming up. Two new team members recruited.

Future actions:

Type: Mitigation

Timeline: End of September 2025

Description: : Following publication of the Best Value Inspection report the Council is actively addressing the recommendations and working with Commissioners to develop a comprehensive commercial strategy, with clear approaches to its investment and regeneration portfolios, including exit strategies for the commercial investments and realistic and deliverable strategies for the regeneration sites. An Improvement and Recovery Plan to be agreed with the Commissioners by end of September 2025.

Status: In progress

Comments: None

Risk Category: 4– Financial Resilience and Supporting Communities

Risk Subject Area: A. Managing increased costs and demands for services

Corporate Priorities: Resilience

Risk Owner(s): Daniel Mouawad, Terry Collier, Lee O’Neil

Date of update: 24 June 2025

Previous Risk Score:

9

Current Risk Score:

9

Future Risk Score:

9

Risk Description

Increased revenue costs due to external factors. ¹

Equally the housing crisis is increasing the need to spend on temporary accommodation to support residents and higher interests impacting on landlords and rent levels. This coincides with increased demands in other service areas, particularly with respect to homelessness and the need to provide Temporary Accommodation, leading to further growth bids for resourcing which are not financially sustainable or affordable unless these can be offset by savings.

Reduced council tax and business rates income due to external factors. ²

Risk that the Government in addressing national public expenditure pressures reduces funding available for local government adding to the challenge of providing discretionary services. ³

There is a risk that the current budget gaps will increase:

- i. Following the Spending Review,
- ii. As the outcomes of local government funding reform and business rates reset becoming clearer, and
- iii. Following analysis being undertaken with the Commissioners to review accounting treatment of issues such as Minimum Revenue Provision.

Risk of not achieving planned savings targets.

Risk that required savings will impact on areas where there is the greatest demand.

Risk that savings identified are not sufficient, or are not fully delivered.

Risk of increased demand for services. ⁴

Ongoing financial pressures, in worst case scenario, could lead to the Council becoming financially unsustainable or leave a sustainability challenge for a successor unitary council.

Risk of holding costs for development sites continuing to put pressure on the revenue budget. ⁵

NOTES:

¹ *Significantly increased financial pressures faced by the Council, similar to other councils, arising from the recent inflationary pressures on fuel, gas and electricity, staff pay pressures, increased housing pressures, which are now anticipated to fall more slowly in 2025 than previously anticipated.*

² *Potential risk as housing and cost of living crises continue to impact on households more of them will struggle to pay council tax bills. Similarly, cost of doing business crisis may affect business rates income*

³ *The Government announced on 20th June a consultation on local government funding reform and a business rates reset to be phased in from 2026-27 this is a significant risk for councils in Surrey as funds are likely to be diverted to other parts of the country.*

⁴ *Combined with reduced fee income and potential for lower collection rates of Business Rates and Council Tax, exacerbated further by the continuing cost-of-living crisis; this could have an impact on the Council's ability to deliver services as well as creating greater demands on community services, leading to a negative impact on the Borough's residents and communities (economic, social, physical and mental wellbeing).*

⁵ *£1.6m per annum relating to the housing delivery schemes are continuing to be incurred until outcomes are delivered on the sites. This continues to have a significant financial impact on the Council's budgetary position. Moving forwards in 2025-26 the Council has ceased to capitalise interest costs so these costs will impact the Revenue Budget.*

Current control actions:

Financial impact assessment modelling undertaken as proactive measure.

Annual budget process incorporates review and scrutiny at several stages including the informal all councillors budget briefings. All Councillor Budget Briefings, undertaken 3 times a year setting out financial risks in context of budgetary position, informing budgetary process.

Annual budget process incorporates Officer and Member review and scrutiny at several stages with measures to support production of balanced budget. Service planning process integrates with annual budget process. Medium term financial strategy providing a framework for managing financial resources.

Current mitigating actions:

Budget put forward for making efficiency savings over the next 4 years to further safeguard the authority. Progress against this target is currently being re-assessed, and additional measures put in place to maintain clear focus on cashable savings.

Maintaining income streams through maximising the Council Tax base and inflationary increases to fees and charges where possible.

Following the Best Value Inspection report, the Council is working with Commissioners to develop a Improvement and Recovery Plan to achieve financial sustainability and to identify and close any short and long-term budget gaps across the period of its medium-term financial strategy (MTFS). This includes a robust multi-year savings plan that reflects the costs and risks identified in the BVI report and by external auditors. As a result of the Best Value Inspection (BVI) report, the Council will implement its Transformation Programme and work with Commissioners to develop our Improvement & Recovery Plan to reconfigure the Council's services commensurate with the authority's available financial resources.

Transformation Programme agreed by CPRC in December 2024 as part of Outline Budget. Councillor led Reorganisation and Transformation Board set up. The Board is currently on pause, whilst the Commissioners evaluate whether its terms of reference are appropriate for assisting with addressing the Improvement and Recovery Plan.

Following the Best Value Inspection report the Council is working with Commissioners to implement a plan to achieve financial sustainability and to identify and close any short and long-term budget gaps across the period of its medium-term financial strategy (MTFS), including a robust multi-year savings plan that reflects the costs and risks identified in the BVI report and by external auditors.

Impact of any proposed savings on service delivery to be evaluated and considered prior to prioritisation and implementation. Any proposals to be agreed with Commissioners prior to presentation to Councillors.

Procurement Projects Board set up to ensure focus on delivering value for money from procurement. Use of Local Authority Housing Fund. ⁶

Governance and reporting arrangements. ⁷

The Council maintains a Reserves Strategy, refreshed and reviewed every year by Corporate Policy and Resources Committee. ⁸

Inflationary pressures contingency reserve to assist with any anticipated budget deficit. Earmarked revenue reserves with forecast for the next four years. Financial Reserves strategy subject to regular review, with annual review and approval of the Reserves Strategy by Corporate Policy and Resources Committee.

Monitoring levels of reserves used at SBC and key financial performance indicators. Benchmarking and analysis of other Surrey Boroughs and districts use of reserves. Also benchmarking through LG Improve.

Medium term financial strategy (Outline Budget) providing a framework for managing financial resources, in a planned and pro-active way. ⁹

NOTES:

⁶ Enabled purchase of 82 (as of 16.01.25), with a further 4 in process of being purchased. Temporary Accommodation with near 50% grant funding and transferring the units to the Council's Housing Company.

Having direct control of such units will save the Council approximately £3m per annum compared to the alternative of placing in private bed and breakfast. This is significantly mitigating the housing pressures on the Council's Revenue Budget.

⁷ Examples include progress reporting of Property Development projects to officer and Member groups. Specific reports are referred to BIG Committee to seek approval for progressing marketing to identify delivery partners most recently Ashford Victory Place and Thameside House.

⁸ One aspect of this strategy is to ensure that sufficient cash backed revenue reserves are maintained to assist in offsetting any write-off of capital losses/capitalised costs to Revenue. In consultation with the Commissioners and the External Auditors the Council will be writing off accumulated capitalised costs as part of the 2024-25 accounts closure process. Further work in collaboration with the Commissioners is being undertaken to review and refine the Sinking Funds reserves model This will inform the rate at which further funds need to be put into the Reserves. Further work, in collaboration with the Commissioners, is being undertaken to review and refine the Sinking Funds reserves model This will inform the rate at which further funds need to be put into the Reserves.

⁹ Enables measures to be implemented which may take time to deliver results ahead of when required. For example, the Council is expecting additional pressures in 2026-27 if a Fair Funding Review and Business Rates reset happens then.

Future actions:

Type: Mitigation

Timeline: September 2025

Description: Following the DLUHC review a Best Value Inspection was undertaken with a report published in February 2025. The Council will actively address the recommendations and work with the Commissioners. An Improvement and Recovery Plan will be agreed by end of September 2025.

Status: In progress

Comments: None

Type: Mitigation

Timeline: December 2025

Description: Progressing medium term financial strategy and efficiency savings plan.

Status: Council is working with the Commissioners and expert consultants to do a major refresh of the budget gap projections, and in parallel is undertaking a further review of MRP treatment

Comments: None

Type: Mitigation

Timeline: Up to April 2027

Description: Implementation of the Council's Transformation Programme

Status: In progress. Whilst the work of the Reorganisation and Transformation Board has currently been put on pause by the Commissioners, some initial work has been undertaken to identify savings which could be implemented across services as part of the 2026-27 Budget.

A more robust process for evaluating filling of vacant posts has been put in place which is resulting in the deletion of a number of vacant posts which will deliver ongoing savings

Comments: None

Type: Mitigation

Timeline: Up to April 2027

Description: Monitoring and periodically reporting on outcomes of 4-year efficiency savings plan, implementing additional measures if savings targets are not being achieved.

Status: In progress. An internal audit of the lessons learned from 2024-25 has been commissioned and additional measures are now in place to track progress of savings, with savings identified by budget code and reported on a monthly basis to MAT and quarterly to CPRC. An annual report on actual savings delivered will be produced.

Comments: None

Risk Category: 4 – Financial Resilience and Supporting Communities

Risk Subject Area: B. Reducing debt

Corporate Priorities: Resilience

Risk Owner(s): Ola Owolabi

Date of update: 24 June 2025

Previous Risk Score:

9

Current Risk Score:

9

Future Risk Score:

9

Risk Description

NB. The Council has a clear Best Value Directive to significantly reduce its outstanding external debt.

Risk that the scale of disposals of regeneration assets does not deliver the level of capital receipts anticipated resulting in less debt being paid off and lower reduction in financing costs.

Risk that discount rates on early repayment of PWLB loans could fall due to changes in gilt rates, reducing the level of debt that can be paid off, resulting in a smaller contribution to closing the budget gaps.

Risk that the required level of debt reduction/disposal of assets will reduce income generated for revenue budget and affect Council service delivery.

Risk that the Council cannot respond to unexpected events or factors presenting uncertainty, due to potential inability to borrow.

Current control actions:

The Council is working with Commissioners to agreeing a comprehensive Improvement and Recovery Plan and associated asset disposal/debt reduction programme.

Revised Treasury Management Strategy approved by Council 27/2/25 with amendments to the prudential indicators.

Medium-term financial strategy providing a framework for managing financial resources. Investments with approved institutions as per policy and strategy.

Application of professional (CIPFA) Code of Practice and Prudential and Treasury Management Codes

Regular engagement with the Council's specialist advisors at Officer and Member level to enhance knowledge, subsequently informing decisions. Group Leaders meet Arlingclose on a quarterly basis.

Arlingclose to provide regular training sessions for councillors. *Last session January 2024.*

Approved Treasury Management Strategy for 2024-25. (*Strategy for 2025-26 approved by Council 27/2/25*).

Current mitigating actions:

The Council is actively working with Commissioners who have been appointed by MHCLG to work with the Council in addressing the recommendations from the BVI report. This will include implementing a comprehensive and strict debt reduction plan, demonstrating how overall capital financing requirement and external borrowing will be reduced over a realistic but expedient timescale, reducing debt servicing costs.

Working with the Commissioners, the focus, now that the Council has a much-reduced Capital Programme, will be accelerating the current schedule for paying down external debt and not taking on additional debt. In liaison with our treasury management advisers the Council will take advantage of its positive cashflow position to pay down a bit extra debt and then as the asset reduction programme progresses apply the receipts to pay down external outstanding debt. The Council is seeking to taking advantage of the very high discounts available to it at present from the Public Works Loan Board for early repayment of debt.

Council approved in October 2024 drawing down its medium termed pooled investments as an alternative to borrowing and partially accelerating the payment down of debt finance. This has meant that the Council has avoided needing to fix additional long term debt finance to finance the balance of the Eclipse Leisure Centre.

Council participated in a Capital Assurance review with DLUHC and Chartered Institute of Public Finance and Accountancy (CIPFA) and in the process of taking on board any improvement suggestions. Coinciding with the publication of the final Best Value Guidance, DLUHC notified the Council of a Best Value Inspection process, which resulted in the publication of a Best Value Inspection Report in February 2025.

Future actions:

Type: Mitigation

Timeline: August 2025

Description: Seeking to achieve timely exchange and completion of the two assets disposals approved by Council on 18th March 2025.

Status: In progress

Comments: None – exchange and completion of both expected by end of August 2025

Type: Control

Timeline: End of September 2025

Description: Progressing medium-term financial strategy and efficiency savings plan. The Council is working with Commissioners to identify a programme for assets disposals.

Status: In progress

Comments: None

Type: Mitigation

Timeline: End of September 2025

Description: Council will positively engage with Commissioners to actively address the recommendations of the Best Value Inspection report and agree an Improvement and Recovery Plan by end of September 2025.

Status: In progress

Comments: None

Risk Category: 5 – Climate Change

Risk Subject Area: A. Climate Change threat, impact and response

Corporate Priorities: Environment

Risk Owner(s): Sandy Muirhead

Date of update: 10 June 2025

Previous Risk Score:

12

Current Risk Score:

12

Future Risk Score:

12

Risk Description

Climate change represents a significant global threat driving social and economic disruption with far ranging consequences for socioeconomic stability. Climate change and extreme weather events impact health and safety, food systems, supply chains & procurement, economic productivity, and losses. Recent data has provided further evidence of increasing global temperatures. The UK is equally likely to see weather extremes going forward impacting on the economy and actions required by the Council.

Due to climate change, there is a specific risk to Spelthorne in terms of more extreme heat and increased flooding, besides the more global threats such as severe storms (threat to loss of life and limb) impacting locally, e.g. in times of severe flooding seriously draining the Council's resources.

If the Council is not pursuing measures or seeking positive opportunities to mitigate and adapt to climate change, it could result in criticism / bad press / public demonstration and additional organisational pressures may result in a loss of focus around climate change and green initiatives.

A lack of preparedness for impacts of climate change may lead to Council Services no longer being sustainable or in a suitable position to operate in the future.

Threat of possible increased in excess deaths due to extreme heat.

Current control actions:

Environment and Sustainability Committee developed an action plan as part of the climate change strategy to move the Council towards net zero carbon emissions, aiming to get to Net Zero for Scope 1 and 2 emissions with the aim of reaching net zero by 2030. The strategy was updated in autumn 2024 and since then there has been a focus on making energy and cost savings to meet carbon reduction targets via Project Green Horizon which will go to E&S Committee on 17 June. Updated 3.6.25

Environment and Sustainability Committee will continue to explore ways to meet a carbon neutral target, and to promote climate change as an issue that needs to permeate all Council areas to ensure SBC reduce their carbon footprint and adapt to climate change. As a result, there is a focus through project Green Horizon on reducing emissions from the Council and its operations. Recent work has demonstrated routes for the Council to reduce its emissions in a cost-effective way as possible and this work and data will be presented to the June Environment and Sustainability Committee. This work has also been presented to the climate change working group.

Surrey County Council have developed a strategy on Climate Change referred to as Greener Futures Delivery Plan which the Environment and Sustainability Committee have supported. Spelthorne's Climate Change strategy is linked where appropriate to Greener Futures Delivery Plan.

Collaborative measures are required to support a coordinated approach to strategy implementation across the organisation and the team are looking at joint service projects. The Climate change officer has met with services in early 2025 to review the action plan and identify mitigation opportunities in each service (Reviewed 11.4.25)

Officers are continuing to roll out Carbon Literacy training days and participating staff have committed to a range of carbon saving pledges. Some member Induction training was undertaken in June 2023 and further training on carbon literacy has taken place on 24/25 November but only a few members attended despite training being mandatory. The Council has reached bronze level in the carbon literacy hierarchy and is aiming for silver in 2025/26.

There is a Carbon Footprint section in Service Plans, providing an opportunity for departments to support the Council's commitment to reducing carbon emissions and explain how they intend to adapt elements of their service delivery to achieve this.

Current mitigating actions:

Some funding resources have been secured to support strategy implementation, and these are being allocated and targeted to reduce the carbon footprint of the Council to help ensure SBC and its successor are net zero by 2030. The Council will continue to seek alternative funding to continue to develop schemes to meet net zero targets.

The Corporate Plan has key actions on climate change and is supported by the climate change strategy and associated actions which require services to address the net zero targets the Council has set.

Funding resources secured to support strategy implementation through the Green Initiative Fund. These are being allocated and targeted to reduce the carbon footprint of the Council to help ensure SBC are net zero by 2030. Though many measures are invest-to-save the current Council financial position may limit opportunities but there is a move to bring forward some spending on 'green' projects through Project Green Horizon Updated 3.6.25

The Council within its adverse weather plan and overarching emergency plan lays out how it would cope with drought and heat stress. A multi-agency flood plan covers how we would with other key agencies deal with significant flooding affecting Spelthorne's residents. 10.6.25

Future actions:

Type: Control

Timeline: by September 2025 (subject to local plan agreement)

Description: Within the legal constraints it is intended to implement the proposed supplementary planning guidance (SPD) to assist in future properties being better adapted to both heat and cold. However, for the SPD to move beyond guidance to having more weight in the planning process is dependent on implementation of the Local Plan.

Status: Outstanding as reliant on implementation of the Local Plan

Comments: The guidance is helpful in demonstrating what can be done to improve the resilience of properties to climate change.

Type: Control

Timeline: August 2025

Description: Cllrs were given training to raise awareness and enhance understanding of Climate Change issues across the Council as recently as November 2024. Cllrs have recently agreed that encouragement needs to be given for Cllrs that have not completed the training to do so. Information has been given to Group Leaders. Updated 11.4.25

Status: In progress

Comments: Training of Cllrs has taken place but there are still Cllrs requiring training.

Type: Control

Timeline: September 2025

Description: To build on Greener Futures climate adaptation strategy and incorporate actions into our climate change strategy.

Status: In progress

Comments: Adaptation strategy still to be developed and will be taken in autumn to Committee

Type: Mitigation

Timeline: Review of strategy completed 2024. Timeline of actions in strategy takes the Council to 2028 with another review at that point to ascertain progress and future needs depending on the state of the climate and future predictions. .

Description: Reviewing and updating climate change strategy and ensuring fully aligned with corporate plan actions but includes mitigation options for Council assets, enhancement of biodiversity and adaptation. Strategy covers to 2028; agreed by Committee 17.9.24

Status: Complete

Comments: Review of climate change strategy completed but needs resourcing to fully implement and requires cross service input Team are working with services and focusing work into two streams mitigation and adaptation with a focus on effective reduction of carbon within council operations and where feasible cost reductions in energy. Adaptation needs to be addressed further with heat stress and drought increasing risks. .

Type: Mitigation

Timeline: Ongoing

Description: Training of staff continues to raise awareness and enhance understanding of Climate Change issues across the Council (staff and Councillors) so they are embedded into day operations

Status: In Progress

Comments: None

Risk Category: 6 – Climate Change

Risk Subject Area: B. Integration into decision making and targets

Corporate Priorities: Environment

Risk Owner(s): Sandy Muirhead

Date of update: 10 June 2025

Previous Risk Score:

8

Current Risk Score:

8

Future Risk Score:

6

Risk Description

Where integration into wider Council decision-making is not evident this reduces the effectiveness of holistic approaches in delivering Spelthorne's strategy.

Inadequate mechanisms for monitoring and reporting on status provides limited insight regarding keeping on track in pursuing net zero carbon emissions and wider government reporting requirements.

Local Government Reorganisation could impact on delivering net zero targets especially if other councils joining within any future unitary do not have the same ambitions as Spelthorne

Current control actions:

All Committee reports include a section on Sustainability and Climate Change considerations which should be reflected upon by report authors to identify both positive and adverse impact of proposals being put forward by Officers requiring a Member decision.

Through carbon literacy training of staff and the climate change and sustainability officers working with services across the Council, climate change is becoming embedded in service delivery. A Climate Change Working Group made up of a cross-party group of elected Members will focus on monitoring of actions towards carbon neutrality and initial assessment of ideas.

Officer updates to Members on the progress of the Climate Change Action Plan.

Annual Reporting of Carbon Emissions to Surrey County Council.

Annual KPI reporting.

Current mitigating actions:

Through ongoing monitoring of climate change strategy and corporate plan actions can ensure climate change mitigation and adaptation is incorporated into day-to-day Council projects/activities.

To use Project Horizon to channel focus on projects which make a significant contribution to reducing the Council's carbon footprint.

Benchmarking and/or analysis of comparative energy savings achieved across Surrey Districts and boroughs Looked to assess how Councils align in terms of climate change activities in readiness for Local Government Reorganisation.

Ensure delivery of Corporate Plan actions to assist in mitigating climate change and reducing the Council's carbon emissions using the corporate plan action tracker.

Future actions:

Type: Control

Timeline: December 2025

Description: Mandatory Carbon literacy training programme underway across the Council to continue so we can achieve silver accreditation with bronze level already being achieved.

Status: In progress

Comments: None

Type: Mitigation

Timeline: December 2025

Description: To build on Greener Futures climate adaptation strategy and incorporate actions into our climate change strategy.

Status: In Progress

Comments: As the climate changes the Council and residents need to adapt to climate change. A framework for adaptation is currently being put together to take to Committee in the audit. The framework will identify actions which can help the move to adapting to future climatic differences to the historic "traditional English climate". This will be linked to the overarching climate change strategy.

Risk Category: 6 – Corporate Capacity, Resources, Recruitment and Retention

Risk Subject Area: A. Corporate Capacity

Corporate Priorities: Resilience, Services

Risk Owner(s): Sandy Muirhead

Date of update: 10 June 2025

Previous Risk Score:

12

Current Risk Score:

12

Future Risk Score:

9

Risk Description

Increased workloads due to national and local policy decisions. Any additional funding provided may not be sufficient to cover work required and shortage of professionals in marketplace may make it even more difficult to get sufficient staff to cover requirements.

Current areas of work with potential to increase risk include:

- Ongoing pressures on resources due to work associated with Local Government Reorganisation (provision of data and associated transition work),
- Follow up work associated with the Best Value Inspection and external audits,
- Additional work which will be needed following the Government's confirmation of support for a 3rd runway at Heathrow, and
- Specific service area pressures due to increased workloads, e.g. in Environmental Health

Tasks are exceeding ability to deliver in certain areas, especially in services where it is difficult to recruit staff. Corporate capacity remains under strain in 2025.

Overstretched capacity could lead to increased staff fatigue / burnout / sickness levels arising. This may impact further on employee stress levels and mental / physical wellbeing, which may also lead to reductions in expected service delivery and reduced morale especially with pressure to complete more tasks over and above planned work.

Overstretched staff may feel encouraged to leave to move to less demanding roles in other areas including the private sector and this has been recently exacerbated in certain areas by best value work.

Availability of external roles especially better paid roles. The Council struggles to keep up with increased pay in roles in the sector as a whole.

Current control actions:

Management to address workload issues across teams, with continued prioritisation of tasks and redeployment of resources where possible. .

Corporate performance management systems operating across various levels, intended to promote golden thread and support delivery of corporate priorities and objectives.

Annual Service Planning refers to capacity pressures being experienced/foreseen by Service Managers/Group Heads (under risks section), so that any remedial action can be proposed and discussed.

Local Government Reorganisation and Best Value demands will increase pressure on staff which could result in more leaving.

Current mitigating actions:

Various support systems operating in promoting and supporting staff wellbeing e.g. Carefirst.

Corporate performance management systems operate across services with a view to promoting the Corporate Plan and associated actions translated into tasks; but also to ensure staff are managing workloads and priorities. There is a need to build in more performance monitoring following audit action plan. This will be achieved through careful service planning incorporating the “Golden Thread” and quarterly KPI monitoring which can be used with the continuous performance monitoring process for staff for managers and in particular monitor both staff and service performance.

Management and HR monitoring of sickness absence levels related to stress or overstretched capacity provides corporate insight that could indicate any further remedial action required.

Participated in an LGA review in 2022 which raised findings regarding working culture though recent staff survey demonstrates staff feel very positive about their working environment internally but one area that showed red was in relation to Cllrs.

Corporate Establishment Review undertaken in 2023 with some further actions identified and pursued. This also overlaps with the other risks in this category relating to recruitment and retention. See Risk subject area 7b. re recruitment and retention measures.

Future actions:

Type: Control

Timeline: Ongoing

Description: Demand management and developing approaches to measure and monitor demand levels across the Council, but need to recognise that demand management is not always easy due to for example extra people presenting as homeless putting more demand on housing staff or extra Government requirements e.g. productivity plans.

Status: Outstanding

Comments: All managers try to provide some balance in terms of staff workload but there often demand factors which arise from external sources and may be difficult to predict. Recent budget

works and demands from best value process have put extra strain on staff. Local Government Reorganisation and the possible impact of BVI Commissioners will impact workload and morale. Ongoing issue which senior managers are trying to mitigate through reassurance and regular updates on current situation.

Type: Mitigation

Timeline: July 2025

Description: Alternative options for service delivery for building control (due to severe resourcing and resilience issues)

Status: In Progress

Comments: Audits of Building Control Service have been undertaken. Internal audit report received; Building Safety Regulator audit report awaited. Resilience/capacity issues may warrant consideration of separate risk category depending on outcome. 06.06.25

Risk Category: 6 – Corporate Capacity, Resources, Recruitment and Retention

Risk Subject Area: B. Recruitment and Retention

Corporate Priorities: Resilience, Services

Risk Owner(s): Sandy Muirhead

Date of update: 10 June 2025

Previous Risk Score:

12

Current Risk Score:

12

Future Risk Score:

12

Risk Description

Unsuccessful recruitment and ongoing unfilled vacancies in a challenging and competitive labour market leads to reduced availability of technical skills and relevant expertise is spread more thinly across Services. The Council is experiencing increasing difficulties trying to recruit to key roles (e.g. Environmental Health, Building Control, payroll). Staff shortages further exacerbate workload pressures across teams. The consequences of this risk are set out earlier under corporate capacity.

Failure to identify 'red flags' in applications for employment and/or through interview process could result in inappropriate recruitment decisions leading to issues during probation.

Ineffective or inappropriate recruitment exacerbated by the skill shortages within the local government market could result in appointments that fail to effectively meet business need leading to reduced service quality and/or periods of ongoing vacancies which puts extra demands on staff and HR resources especially in terms of employment cases.

The Government's plans for Local Government Reorganisation, may lead to loss of some staff and difficulties recruiting to vacant posts, particularly as Spelthorne with Surrey is included in the first wave of the programme. There is also a risk some staff may be lost as a result of the BVI process.

Current control actions:

Several measures have been underway for some time and previously reported. These relate to HR policies, financial enhancements for hard to fill posts, development and upskilling opportunities,

schemes to support staff wellbeing, hybrid working patterns and flexible working arrangements to attract and incentivise staff to modern working practices, staff pay reviews, HR professional networking forums with a view to applying best practice learnt.

Staff and member feedback including commissioning annual surveys to ascertain key concerns, issues and promote continuous improvement measures. A staff survey undertaken in 2024 had a very high participation rate and results reflected a high level of satisfaction with work/values within the services.

Staff communication plan on Local Government Reorganisation (LGR) to be developed and maintained throughout the transition process. CARE first offering to be enhanced with a programme to assist staff on the current establishment to prepare for the opportunities that a larger unitary authority may offer.

Current mitigating actions:

Where recruitment into posts is not possible, appointment of interims or agency staff to ensure continuity in the services and enable continued delivery of the service concerned are undertaken.

Training has been provided for managers who will be involved in recruitment process to enable them to spot 'red flags' on applications/during interviews etc.. Suitably trained manager/member of HR staff to be involved in all interviews. Probation periods are used where possible to enable more effective evaluation of new staff.

There is a possible need to increase the use of agency staff where recruitment issues develop due to LGR. Use of honorariums for existing staff where they are required to step up to cover work of vacant posts.

A training programme is being developed to help staff through Local Government Reorganisation.

As LGR progresses As LGR progresses there may be staff leaving/retiring which may result in posts having to be filled with interim staff.

Future actions:

Type: Mitigation

Timeline: Ongoing

Description: To continue to advertise in all service relevant journals to ensure maximise opportunities for those seeking roles to see relevant adverts.

Status: In Progress

Comments: None

Type: Mitigation

Timeline: Ongoing

Description: Continue to explore new and innovative recruitment and retention strategies in a competitive market. This includes workplace flexibility.

Status: In Progress

Comments: None

Type: Mitigation

Timeline: Ongoing

Description: Continue to draw optimal value from all relevant hubs of expertise including externally conducted research in continuing to facilitate and promote a holistic approach to responding to recruitment and retention challenges and future-proofing the Council's workforce.

Status: In Progress

Comments: Recruitment team and officers are looking at all options for advertising roles but also including opportunities to appoint apprentices and train from within.

Type: Control

Timeline: April 2027

Description: Maintaining an effective communication plan with staff re LGR/BVI and offering enhanced support/development opportunities through the CARE first programme, will assist in retaining some staff as the transition to the new unitary authority progresses.

Status: In Progress

Comments: Action timeline based on Surrey in first wave of Councils undergoing LGR.

Type: Mitigation

Timeline: April 2027

Description: Seek possible partnership opportunities with Councils forming part of new unitary.

Status: To be implemented

Comments: Cannot be implemented until clear which Councils will form new unitary with Spelthorne.

Risk Category: 7 – Equality, Diversity and Inclusivity

Risk Subject Area: Coordinated approach to legislative requirements

Corporate Priorities: Resilience, Environment, Services

Risk Owner(s): Sandy Muirhead

Date of update: 10 June 2025

Previous Risk Score:

6

Current Risk Score:

6

Future Risk Score:

6

Risk Description

If there is a failure to effectively adhere to the Equality Act (2010), this could lead to workplace practices and delivery of services that fail to incorporate necessary principles, standards and requirements in promoting equal opportunities, diversity and inclusivity. This may increase risks of discriminatory practices, and consequentially the Council could be subject to complaints or even claims resulting in reputational damage.

If there is insufficient resource, skills or expertise to develop, promote and support implementation of E, D & I standards, progress in driving change and positive impact through a structured and coordinated approach may be limited.

Current control actions:

Training mechanisms to raise awareness and understanding such as the online Workrite module. Seeking further training options for 2025.

All Committee reports include a section on Equality, Diversity and Inclusivity considerations to ensure this area is embedded into Council decision making. It should be carefully reflected upon by report authors to identify any implications and whether there is any specific impact for proposals being put forward requiring a Member decision.

Communications and engagement with staff, Members and the public to recognise and celebrate diversity.

Champions (Staff reps) to explore further positive approaches relating to E, D & I. Inclusivity Working Group meets regularly.

Corporate Values – (PROVIDE) are incorporated into the Council's equality and diversity objectives together with an internal equality and diversity policy.

An Equality, Diversity and Inclusivity 'Statement of Intent' document has been reported. Internal and external websites have been updated with Equality and Diversity policy and statement published.

Current mitigating actions:

Reminder has been sent out to Group Head to remind staff that if they have not done so in the last year they must complete their workrite training asap. Group Heads will ensure staff complete the annual mandatory training to mitigate the risk of training not being completed.

Equality Impact Assessments are completed as a requirement on initiation of new projects and strategies.

An Equality and Diversity audit was undertaken in November/December 2024 and completed May 2025. The audit identifies further areas of work/actions to be carried out with appropriate timelines. A draft equality diversity and inclusion strategy has been produced for initial comment to address one of the actions. All actions from the audit have clear timelines and the Council is ensuring these are met subject to resource availability.

\Council participated in Race Equality Week (Feb 2024) and promoted important messages to all staff.

Ensure "celebration" of key events, for example PRIDE month, and ensure raised at staff meetings (including relevant presentations on relevant subjects) and flag raised along with further communications.

Section on EDI including reference to LGBT+ community included in induction seminar for new staff completed.

Future actions:

Type: Control

Timeline: October 2025

Description: A draft strategy has been produced and timelines of achieving various milestones associated with the audit report are clear. This strategy needs to be commented on internally and then taken to Committee.

To address key reporting actions in the audit an officer has been assigned to undertake this task in human resources.

An audit has been undertaken which assists in identifying the resource required and better enable allocation of the resource needed.

Status: In Progress

Comments: The audit actions have been noted, a timeline developed, and officers allocated to deliver on the actions within the audit report.

Risk Category: 8 – Local Government Reorganisation

Risk Subject Area: A. Strategic decisions

Corporate Priorities: Resilience, Environment, Services

Risk Owner(s): Daniel Mouawad, Lee O'Neil, Terry Collier

Date of update: 24 June 2025

Previous Risk Score:

16

Current Risk Score:

16

Future Risk Score:

12

Risk Description

The governance structure at Surrey County Council has previously presented limited opportunities for Spelthorne to influence future shaping and direction within the wider Surrey landscape, e.g. in relation to the County Deal. This presented the risk of strategic decisions being made that were not in the best interests of Spelthorne's residents and local communities. With Surrey now confirmed in the first wave of Local Government Reorganisation (LGR), the risk remains that Spelthorne will have very limited ability to influence the future shaping of any new unitary authorities and the level/quality of services that the new unitary Council for our area will provide for our residents and businesses.

Government plans for LGR will mean that Spelthorne potentially no longer exists as a sovereign authority from April 2027. This will fundamentally affect Council's ability to deliver many of its planned actions under the Corporate Plan 2024-28. Failure to engage with the LGR process would increase the risk of not delivering the best outcomes for Spelthorne's residents and businesses.

Current control actions:

Spelthorne will have no control over the implementation of LGR by the national Government. SBC can therefore only seek to mitigate the effects on the borough and its residents/businesses.

The Administration Group Leaders have reviewed the deliverability of the outstanding planned actions under the Corporate Plan and have advised on those that they propose to cease. They are also currently working with officers on developing any new/revised proposals to be delivered within available resources before Spelthorne ceases to exist as a sovereign authority, prior to discussing options with the Commissioners. Any planned changes will need to be approved by the Corporate

Policy and Resources Committee. Any revised action plan will be kept under review to confirm its deliverability in light of any future resourcing pressures.

Current mitigating actions:

It will be essential for Spelthorne to engage fully with the LGR process on a county-wide basis (initially through the Surrey Leaders' Group) if the Council is to deliver the best possible outcomes for its residents and businesses.

The Council will need to review its priorities and planned actions under the Corporate Plan to ensure any remaining actions are deliverable within the limited timeframes it remains as a sovereign authority.

A Reorganisation Board was established to formulate, co-ordinate and manage the Council's engagement with Surrey Local Government Reorganisation (LGR) and devolution proposals and make recommendations to CPRC/Council. This Board's role also included overseeing the Council's Transformation Programme to ensure that this aligned with that process. Update 06.06.25. A review of the LGR and Transformation board is underway to ensure it is fit for purpose for both LGR work and meets Commissioners' expectations in relation to the wider Improvement and Recovery Plan.

The Council needs to have a clear view on its priorities for any future collaboration (or not) against the backdrop of LGR. Even though Spelthorne will no longer exist as a sovereign authority in April 2027, there will be a need to deliver services and manage budget pressures over the next 2 years. The Outline Budget report presented to CPRC in December flagged up the need to deliver a corporate transformation programme to deliver efficiencies and savings - and collaboration remains one strand of this. New opportunities to collaborate may need to be considered to deliver resilience in some service areas (such as Building Control) and existing partnerships may need to be reviewed. Challenges may exist in finding suitable partners and agreeing suitable collaboration arrangements in such circumstances in view of the timescales for LGR (until Councils forming new unitary are known). The Council's Collaborative Working Review Group has been restarted (Leadership and MAT) to consider any collaborative opportunities that may need to be discussed.

£500,000 budget for reorganisation built into 2025-26 Budget.

Future actions:

Type: Mitigation

Timeline: March 2027

Description: Planning for potential change and ascertaining transitional and future arrangements for service delivery, decision making and strategic direction in light of Local Government Reorganisation (LGR).

Status: In Progress

Comments Leader is in active discussions with other Surrey Leaders to formulate their approach to formation of new unitary authorities for Surrey. SBC Full Council met on 06.02.25 to agree their preferred option for number of unitaries, preferred configuration of authorities to be joined with, and

the Terms of Reference for a new Reorganisation Board. Council met again on 18.03.25 to approve the initial submission to the Ministry of Housing, Communities and Local Government (MHCLG) on behalf of the 12 Local Authorities of Surrey; and on 06.05.25 the Council endorsed the submission to the Ministry of Housing, Communities & Local Government of the preferred proposal for 3 unitary authorities in Surrey.

Surrey CXs continuing to discuss practical implementation pending further guidance from Government.

Risk Category: 8 – Local Government Reorganisation

Risk Subject Area: B. Managing Change

Corporate Priorities: Resilience, Environment, Services, Community, Addressing Housing Need

Risk Owner(s): Lee O’Neil, Terry Collier, Daniel Mouawad

Date of update: 11 June 2025

Previous Risk Score:

16

Current Risk Score:

16

Future Risk Score:

12

Risk Description

If there is a lack of clarity or unified understanding around the wide-reaching implications of Local Government Reorganisation (LGR), this could make the task of planning, managing, communicating and implementing change challenging.

The Council will need to consider how to prioritise work which will be required to feed into the LGR process alongside need to continue delivering services and efficiency savings.

The Government's plans for Local Government Reorganisation present a major risk to the Council's operational activities and planned projects/actions under the Corporate Plan if organisational change is not managed effectively. Additional pressures and uncertainties for staff may result in loss of personnel and difficulties recruiting replacements.

Current control actions:

Ensure the appropriate level of resources (capacity and appropriately skilled staff) are put in place and time is freed up from other parts of the organisation involved in the change management process if no additional financial or staff resources are available. This will require tough decisions on what not to do, or to deliver in another way on a temporary basis. A risk-based approach will need to be applied to this work.

Current mitigating actions:

Although the Council may not be able to control the changes required as part of the LGR process, it can, through development of an effective change management plan/strategy, mitigate the impacts on staff and the wider organisation, minimise the risk of service disruption and maximise the opportunity to deliver a range of planned actions/projects, before the transition into a larger unitary authority.

Collaboration with partners may be necessary to deal with any resilience issues that may arise in the run-up to the unitary authority taking over responsibility for services.

NOTE:

Data collection already underway to support process with Single Point of Contact (SPOC) (Deputy Chief Executive) coordinating this Council's information to be sent through to Borough/District Project Management Office.

Future actions:

Type: Mitigation

Timeline: September 2025

Description Surrey Leaders/Chief Executives discussing options for the number and make-up of unitary authorities for Surrey under LGR.

Status: Completed

Comments: Strategic discussions (Leaders and CXs) re options for new unitary authorities in Surrey completed. Interim LGR plans for Surrey had been developed and submitted (March 2025), with full proposals submitted separately by Surrey County Council and District/Borough Councils in May 2025. Majority of District/Borough Councils favouring 3 unitary model; Surrey County Council favouring 2 unitary model.

Type: Mitigation

Timeline: March 2027

Description: Planning for potential change and ascertaining transitional and future arrangements for service delivery, decision making and strategic direction. Effective change management strategy/plan to be developed/implemented once further information is received on the LGR process/timetable.

Status: In Progress

Comments Initial limited guidance on process contained in Government Ministerial letter of 5 February 2025. Awaiting more detailed guidance.

Risk Category: 9 – Response to External Audit/Best Value Inspection Recommendations

Risk Subject Area: Value for Money/Audit Findings

Corporate Priorities: Resilience, Environment, Services

Risk Owner(s): Terry Collier, Lee O'Neil, Daniel Mouawad

Date of update: 24 June 2025

Previous Risk Score:

12

Current Risk Score:

12

Future Risk Score:

6

Risk Description

NB. Following the publication of the Council's Best Value Inspection report the Government, in a letter to the Chief Executive dated 8 May 2025, advised that it would appoint Commissioners to Spelthorne Borough Council. The level of Commissioner-led intervention specified in the Directions is outlined in that letter. The Commissioners have been appointed, and the Council is currently working with them to develop an Improvement and Recovery Plan to address the issues raised in the Best Value Inspection report.

Most decisions remain with the Council, but the Commissioners will uphold proper standards and due process, and recommend action where needed.

There is a risk that the Commissioners could directly intervene in any planned decisions which are not compatible with the requirements of Ministerial Directive.

Similarly, failure to respond effectively to address the recommendations in the External Audit Reports could result in statutory recommendations and intervention by the Commissioners which would also risk damaging the reputation of the authority.

Failure to address the recommendations could expose the Council to financial and governance risks.

Current control actions:

A Consolidated Action Plan was presented to 8th May Audit Committee drawing together actions relating to Public Interest Report, CIPFA Capital Assurance review, LGA Corporate Peer Challenge report, External Auditor Annual Report 2023-24, External Auditor Audit Findings report 2023-24 and

Best Value Inspection report. This is to ensure that all recommendations are being addressed, owned by an appropriate officer, with Cllr leads identified, with clear timescales for completion.

The Action Plan was approved by February 2025 Audit Committee and progress against the Action Plans is reported on at every Audit Committee for Committee oversight.

Current mitigating actions:

None

Future actions:

Type: Control

Timeline: September 2025

Description: Actions specified in Action Plans to be completed.

Status: In Various target dates specified in the Action Plans. All actions to have been completed by September 2025

Comments: None

Type: Control

Timeline: June 2025

Description: Improvement and Recovery Plan (IRP) to be developed and agreed by Commissioners

Status: In progress

Comments: A draft IRP has been developed and discussed with the Commissioners. Workshops to commence for each of the five main 'pillars' of the plan commencing w/c 30 June 2025.

Type: Control

Timeline: April 2027

Description: Council to fully engage and work with the Commissioners to implement all aspects of the Improvement and Recovery Plan

Status: In progress

Comments: None

APPENDIX B – Updated risk subject areas and changes to Corporate Risk Register risk scores since last Committee update

Risk category	Risk subject area	May 2025			Risk category	Risk subject area	July 2025		
		Impact score	Likelihood score	Combined score/RAG			Impact score	Likelihood score	Combined score/RAG
1 Housing – Delivering targets for housing development and affordable housing requirements	a. Options for housing development on Council sites and timelines for delivery	3	4	12	1 Housing – Delivering targets for housing development and affordable housing requirements	a. Addressing affordable housing supply and demand to meet local need	3	4	12
	b. Local Plan	2	2	4		b. Local Plan	2	2	4
	c. Addressing affordable housing supply and housing demand to meet local need	3	4	12					
2-Economy	National and regional threats to local economic prosperity	3	3	9	2-Economy	National and regional threats to local economic prosperity	3	3	9
3-Financial Resilience and Commercial Assets	Commercial investment portfolio	3	3	9	3-Financial Resilience and Commercial Assets	Commercial investment portfolio	3	3	9
4-Financial Resilience and Supporting Communities	a. Managing increased costs	3	3	9	4-Financial Resilience and Supporting Communities	a. Managing increased costs and demands for services	3	3	9

	b. Financing projects under restricted borrowing levels	3	3	9					
	c. Financial pressures due to increased demand for services	3	3	9		b. Reducing debt	3	3	9
5- Treasury Management	Delivering best value from investments and borrowing	3	3	9					
6-Climate Change	a. Threat, impact and response	3	4	12	5-Climate Change	a. Threat, impact and response	3	4	12
	b. Integration into decision making and targets	2	4	8		b. Integration into decision making and targets	2	4	8
7- Corporate Capacity, Resources, Recruitment and Retention	a. Corporate capacity	3	4	12	6- Corporate Capacity, Resources, Recruitment and Retention	a. Corporate capacity	3	4	12
	b. Recruitment and retention	3	4	12		b. Recruitment and retention	3	4	12
8-Equality, Diversity and Inclusivity	Coordinated approach to legislative requirements	2	3	6	7-Equality, Diversity and Inclusivity	Coordinated approach to legislative requirements	2	3	6
9- Local Government Reorganisation	a. Strategic decisions	4	4	16	8- Local Government Reorganisation	a. Strategic decisions	4	4	16
	b. Managing change	4	4	16		b. Managing change	4	4	16
10 - Response to External Audit Recommendations	Value for Money/Audit Findings	3	4	12	9- Response to External Audit/Best	Value for Money/Audit Findings	3	4	12

					Value Inspection Recommendations				
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NOTES:

When assessing the Council’s risks in terms of likelihood and impact, we take into account the national and global picture for wider externalities such as the macroeconomic environment and geopolitical factors. Spelthorne’s operations remain influenced by these external challenges and pressures, as is the case for other Councils. Due to these externalities, there are many activities that the Council cannot directly control/mitigate, or influence and continued recognition is important. **Red** risks require prompt, planned management action **Amber** risks require planned management action **Green** risks are accepted risks.

How risks are scored: We assess and score risks, with their current controls and current mitigations in place, for likelihood and impact as shown below: Impact can be measured in many ways and will be specific to what you are assessing, but the most common are on objectives, finance, and reputation.

IMPACT	4 Catastrophic				
	3 Major				
	2 Medium				
	1 Trivial				
		1 Rare	2 Unlikely	3 Likely	4 Almost certain
		LIKELIHOOD			

Audit Committee

10 July 2025



Title	Update on Building Control
Purpose of the report	To inform
Report Author	Heather Morgan, Group Head Place, Protection and Prosperity
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	
Corporate Priority	Services
Recommendations	Committee is asked to: To note the information in Appendices 1 and 2
Reason for Recommendation	At the last committee, members asked for more information to be provided around the challenges faced by the building control service and proposed actions to mitigate

1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> At its last meeting, the committee asked for a more detailed verbal update on the building control service and the challenges that it is facing (which is replicated in large parts of the UK) 	<ul style="list-style-type: none"> The building control industry is undergoing a fundamental change post the Grenfell tragedy which is causing significant challenge We are losing a number of key staff to the private sector (higher salary)
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> This report sets out the actions to date to try and ensure we have a resilient service These have been within existing budgetary constraints 	<ul style="list-style-type: none"> A report will come back to committee once we receive the final audit from the Building Safety Regulator, and we have more certainty around LGR in terms of further collaborative working with partners

- 1.1 This report seeks to inform the committee of the challenges faced by the building control service and proposed actions to mitigate.

2. Key issues

2.1 The key issues facing the service are set out Appendix 1 but in short:

- (a) The rigorous new regime brought about as a result of the Grenfell tragedy requires the construction and building control industry to take a completely different approach
- (b) The building control industry nationally is in a challenging situation with a significant loss of professional expertise. The lack of qualified resource means developments are being stalled, which is significantly impacting on housing delivery. On 30 June 2025 MHCLG took decisive action and announced it was setting up a board to take on the functions of the BSR as part of initial steps to creating a single construction regulator (to be headed up by a previous Commissioner of the London Fire Brigade).
- (c) We, alongside other Councils in Surrey, are losing staff to more highly paid agency roles who can secure £100 – 120k pa
- (d) The size of the professional team has dropped from 5 to 2 (resilience being provided by Elmbridge Building Control Services). This is reducing our ability to take on income generating work whilst still having to undertake enforcement functions (for which we cannot charge a fee).
- (e) There has been a delay in the BSR providing their external audit response, but we know the likely direction of travel.
- (f) We are taking proactive steps (within existing budgets) to enhance the QA and KPI monitoring of the service, as well as boosting management oversight
- (g) We are looking to focus on the necessary work only
- (h) We are looking to improve salaries in the hope that this will, assist with staff retention and recruitment
- (i) LGR offers the opportunity to work with other Councils to create more resilient service. Discussions are already taking place at service manager level.

3. Options analysis and proposal

There are no options in this report as it is an update. A report will be come to committee once the BSR audit is received which will have an options analysis and proposals for consideration.

4. Financial management comments

4.1 There are no options in this report as it is an update. A report will be come to committee once the BSR audit is received.

4.2 Committee should note that all the actions outlined in **Appendix 1** are within existing budgets. Should the situation change, and more resource is required, an in-year growth bid would need to come to this committee for decision.

5. Risk management comments

5.1 A risk register has been developed in line with the requirements of Local Authority Building Control (LABC) to enable us to apply for and secure access to their QM system. This is attached at **Appendix 2**.

6. Procurement comments

- 6.1 N/A as an update report.
- 7. Legal comments**
- 7.1 N/A as an update report.
- 8. Other considerations**
- 8.1 N/A as an update report.
- 9. Equality and Diversity**
- 9.1 N/A as an update report.
- 10. Sustainability/Climate Change Implications**
- 10.1 N/A as an update report.
- 11. Timetable for implementation**
- 11.1 A report will come to committee once the final external audit from the BSR has been received.
- 12. Contact**
- 12.1 Heather Morgan, Group Head Place, Protection and Prosperity.
h.morgan@spelthorne.gov.uk

**Please submit any material questions to the Committee Chair and Officer
Contact by two days in advance of the meeting.**

Background papers: *(These are unpublished papers upon which you have relied in preparing this report). If none state, There are none.*

Appendices:

- 1 – Update on Building Control
- 2 – Local Authority Building Control QMS Risk Register April 2025 – April 2026

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UPDATE ON BUILDING CONTROL AUDIT COMMITTEE 10 JULY 2025

National picture

We are currently in a challenging environment to deliver the changes in national legislation brought about by the tragedy at Grenfell. The new regulator tasked with overseeing this fundamental shift was the Building Safety Regulator (part of the HSE)

The necessity for staff to go through a rigorous professional qualification is understood, but it has meant that a lot of very experienced professionals have left the profession, putting pressure on resources. Due to lack of capacity and high turnover, the BSR are now looking to Councils to provide them with resources or to second staff in to assist, which we do not have.

Only class 3 registered surveyors can deal with high rise buildings. This is resulting in significant delays in signing off Gateway 2 for those buildings over 18m, adding 9 to 12 months as a minimum. This is impacting on the ability of the industry to build new homes.

Baroness Taylor, chair of the House of Lords Industry and Regulators Committee, has launched an inquiry into building safety regulation and the BSR in particular. Written contributions are being invited from all stakeholders by 31 August (we will respond) with public evidence sessions between June and September (currently the HBF and the construction industry). A report is expected in the Autumn. A national building control service has been mooted as a solution in terms of the lack of resilience faced by many Councils due to lack of staffing.

On 30 June 2025, the MHCLG took decisive action and announced it was setting up a board to take on the functions of the BSR as part of initial steps to creating a single construction regulator (to be headed up by a previous Commissioner of the London Fire Brigade).

BSR external audit

The BSR have a 5-year programme to audit every Council building control service and approved inspectors. This started in early 2024. Most approved inspectors have been audited (results are not public). We were in the first tranche of Councils and our audit started in mid-January 2025 and ran to mid-March. This was an intensive period for staff who also had to deal with the day-to-day work.

Whilst we were initially advised we would get a final document by end of April, we have not yet received a draft response due to a backlog at the BSR. Moving forwards, they may have to refine their approach, and adapt it based on risk/potential breaches of the operating standards by some Councils and Approved Inspectors (we have not done this).

The recommendations will be one of:

- (1) all compliant – very unlikely
- (2) letter of contravention and action plan – highly likely
- (3) improvement notice – possible
- (4) serious contravention notice – BSR have said they will not go straight to this level.

We submitted all the necessary information on the 33 KPI's we must report against at the end of April to the BSR. We also have to submit quarterly returns.

Currently we use Elmbridge Building Control Services Ltd via a SLA to undertake some of our site visits and review applications. This provides us with some level of resilience when staff are on leave.

Resourcing

Over the past two years we have lost several staff. A year or so ago one member of the team retired and another, newly qualified, went to work for an agency to undertake work for LB Hillingdon for nearly double what we could offer him (£110k). This reduced the team from 5 to 3. Another member of the team is due to leave us imminently for another role closer to home, and one other member of staff is looking at other options. If both staff leave, then there will be 1 permanent member of staff.

Surrey Heath is currently operating with one manager and a team of agency staff (they cannot recruit despite a number of attempts). Neighbouring London Boroughs are in a similar situation (Hounslow and Hillingdon). Other Councils in the SE are advising builders not to use their service and to go to other providers as they do not have the resource to do any work.

Actions undertaken in advance of BSR external audit

In anticipation of a likely letter of contravention and action plan, the following measures are already in train:

- There is a gap in the capacity at management level to cover the KPI's and rigor now imposed by the BSR. We have brought in a very experienced manager on a part time basis (he also works for Runnymede). He is already working with us a maximum of 2 days per week for the next 3 months to bring us up to speed, and will then oversee for 1 day per month.
- We have applied for membership of the Local Authority Building Control (LABC) QMS system. This has required a further separate internal audit (undertake by the part tie manager). This will be submitted in mid-July once it has been discussed and agreed with the team.
- We have been working on the UNiform IT system to make more effective use of its functionality to ensure we have the data for the KPI's (some of it has only recently developed by the supplier IDOX).
- In line with all other Surrey D&B's we will be changing our duty system. Calls will be taken by the business support team rather than officers having to be in the office to take calls. This means the surveyors can be out on site (income generating work). It will mean there is a slightly longer turnaround time to return calls.
- In line with all other Surrey D&B's we will also be stopping our weekend Dangerous Structures call out service. There will need to be consultation on this, so this will not come into effect for 3 months. Matters will need to wait until the Monday following the weekend. We only have 2-3 calls out per year. 3 staff are currently on a rota throughout the year (which is not sustainable if one or two of these will be leaving). Urgent issues can be covered by Applied Resilience.
- We have reviewed salaries against other Councils and the market. This has been challenging as agency staff can currently command around £120k pa (without a pension and holidays). The market supplement has been increased

so the overall offer is just over £68k. It is not clear if this will be sufficient to attract staff.

All of the above is within existing budgets - reallocating underspend from a vacant post.

- Alongside this, we are speaking to several experienced professionals who might be interested in coming to work for the Council. This may require an in-year growth bid which would need to come to this committee for consideration.

Moving Forwards

LGR does give us the opportunity to work more closely with our nearest neighbours now even before the decision is made in mid-October. We are always looking at how we align processes and letters/notices, standardize information on our websites and share best practice.

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Spelthorne Building Control Risk Register for April 2025 to April 2026

	Risk	Description of Risk	Risk Mitigation	Consequen	Likelihood	Risk Level
1	Inaction due to future removal of responsibility from Spelthorne to deliver Building Control	<p>Within the next 2 years, the building control function will be transferred out of Spelthorne's control. Any action taken now will likely face corporate and public criticism as a waste of time and resources due to the probability of two events:</p> <ol style="list-style-type: none"> 1. By 2027, all current services will be absorbed into a unitary authority either in a 3- or 6-borough model. 2. The newly formed building control independent panel, due to report in autumn 2025, is highly likely to remove commercial interests from building control and transition to a national model. However, there is a balancing risk of a breach of trust, that the residents within the borough will be required to live with the consequences of our current service delivery for the life of these buildings 	<p>Inspections of Spelthorne's buildings will necessitate local delivery, with a strong likelihood that this will continue in the current format with the same staff for many years to come.</p> <p>To meet this requirement, we are mandated to safeguard the borough's residence, and the most effective means of achieving this is through adherence to the Building Safety Regulator requirements and the implementation of the new Operational Standard Rules (OSR). So, meeting Building Act section 91(2). where LA,s have a duty to enforce.</p>	3	1	3

2	OSR 1.Systems and controls. Noncompliance with operational service rules <u>Operational-standards-rules</u> (under 58Z of the Building Act 1984). Since 6 April 2024	<p>OSR -Noncompliance would lead to censure from building safety regulator / repetitional damage, in an extreme case [Grenfell] custodial sentence. Need to ensure adequate accredited quality assurance processes and documentation in place,</p> <ul style="list-style-type: none"> • Information shared and stored electronically, • QA policy • QA manual • Procedures manual • Enforcement policy 	<ul style="list-style-type: none"> • Accreditation under LABC quality assurance ISO 9001 • Recruit and identify staff to carry out Audits of all operational processes. • Creation and maintenance of risk register • Organisational structure scope and competency assessment. • Conduct Annual management QA review meetings • Monthly team meetings including QA review • Instigate feedback from clients and review responses for inclusion in QA meetings. • Moving to compliance with KPI's and ensure these are deliverable through IT system and reporting. • Evaluate improvements for automating processes and reporting with the Idox enterprise system 	4	3	12
3	OSR 2. Persons. Noncompliance with operational service rules <u>Operational standards rules - GOV.UK</u> <u>www.gov.uk</u>	<p>OSR- Requirement that building control functions are adequate resourced (2.1) and surveyors to be registered as building inspectors and for examination every three years, and only act within their roles of competence <u>Building inspector competence framework (BICoF) - GOV.UK</u> (<u>www.gov.uk</u>)</p> <p>Consider the requirements for Level 3 building inspectors and the building</p>	<ul style="list-style-type: none"> • All staff are required to have access to development and funded training, as specified in the LABC Competency Matrix. This training must be documented according to the Continuing Professional Development (CPD) requirements set by building safety regulators. The most straightforward method appears to be the option of a £150 annual license fee per member through <u>Professional Development LABC</u>. • Access to up-to-date technical documents, specifically British standards, can be obtained by 	3	2	6

		safety regulator under section 13 of the Building Safety Act may necessitate support. For more information, refer to the Building Safety Act 2022 .	<p>joining the Surrey partnership, which is hosted by Southern Building Control.</p> <ul style="list-style-type: none"> • Ensure surveyors act in accordance with the Code of Conduct and are aware of the whistleblowing policy. Code of conduct for registered building inspectors - GOV.UK (www.gov.uk) • Monthly reporting to balance workload and risk management • Identify occurrences of conflict of interest and create a register. 			
4	OSR 3. Building control Function. Noncompliance with operational service rules Operational standards rules - GOV.UK www.gov.uk	<p>OSR -The administration and handling of all applications received including initial notices, dangerous structures, and contraventions. Covering record keeping of such cases, inspections, reports, and interventions.</p> <p>Communicating with duty holders about key decisions and their implications within relevant times.</p>	<ul style="list-style-type: none"> • Ensure that processes and procedures comply with the updated requirements of the Building Act and Building Safety Act. • Site records and inspection notes including photographs are required to be date marked and Geo location tagged. With inspection reports emailed to the applicant as soon as possible (rule 3.11). [investigate use of tablets to show compliance, incorporating mobile working software] • Amend standard letters to comply with process maps and new legislation, including powers for stop notices and non-compliance. • Update the website to clarify the new role of Building Control, seek feedback, outline enforcement procedures, and detail the duties of duty holders. 	4	2	8

5	OSR 4.Enforcement Noncompliance with operational service rules <u>Operational standards rules - GOV.UK (www.gov.uk)</u>	OSR - Review and adopt a risk-based approach to inspections which is communicated to the duty holder [owner, builder and/or architect]	<ul style="list-style-type: none"> Review and adopt new enforcement process flow charts and standard letters to meet new legislation. Review intended update to Idox software to see if it meets the requirements of the building safety regulator currently unable to accurately respond to required reporting KPIs (Quarterly and Annual returns.) Review if ITC / document management systems are fit for purpose in recording contraventions buildings. 	3	2	6
6.	Competitive market	Competitive Market – Local Authority Building Control has existed in a competitive market for over 40 years. Against this Spelthorne building control team is struggling to deliver a service. Competition can drive down standards of service where some customers seek ‘the path of least resistance at the least cost’ under the new regime only local authorities can carry out enforcement action for the building safety regulator and this is imposing a greater burden on our time and expertise.	<ul style="list-style-type: none"> We are required to balance income with expenditure under the <u>Building (Local Authority Charges) Regulations 2010 (legislation.gov.uk)</u> with the hourly rate calculations set under the CITFA guidance. However, the role of the new building inspectors has dramatically shifted since the legislation of October 2023 with increased enforcement and reporting duties, and we need to calculate if the previous 30/70 split is still relevant. (Anecdotally a 50/50 split between fee and non fee earning work is being reported by others.) Review market share and hourly rate review how we can better market ourselves to retain cost effective fee earning work as we shift from a supportive role to in some cases an enforcement role for the building safety regulator this being more contentious and time consuming. 	2	2	4

7.	Experienced staff being lost	<p>Surveyor demographics – Spelthorne's senior workforce is ageing, and a lack of investment in training by all Local Authorities over the past 20 years of austerity has led to a decline in new surveyors entering the profession. Three years ago, Spelthorne had 6 surveyors covering the borough—now, only 2 remain.</p> <p>This issue is further compounded by the fact that trained staff often move to adjoining boroughs offering more competitive salaries. This migration places additional pressure on the remaining surveyors, creating a downward spiral.</p>	<ul style="list-style-type: none"> • Efforts to recruit external candidates have failed, worsened by registration criteria for building inspectors. Recently, two staff members left. anecdotally over 20% leaving the LA's, our adjoining Surrey boroughs are already suffering in this regard. In some cases, paying premium rates to contractors to fill the gap. • Need to review our recruitment and retention strategy consider if we are offering competitive packages. • Consider the option of trainee or apprenticeship programs, although this may be perceived as adding additional pressure on our limited surveyor staff. Away forward might be found through LABC VLE workshops, supporting the development of trainees. <p>Local government capacity survey: Building control Local Government Association</p>	3	4	12
8	Insufficient RBI's for workload	<p>In response to the staff shortage, the remaining registered building inspectors have encountered significant workload challenges. As a local authority, we are statutory required to accept applications and additionally complex reversion work from approved inspectors.</p> <p>We have reached out to neighbouring Boroughs for collaboration on resilience, but they face similar issues. Private contractors charge £80 per hour, which</p>	<ul style="list-style-type: none"> • Develop a risk matrix that matches resources to tasks, including plan checks, inspections, and follow-ups on old projects, enforcement. The matrix should balance life risk, building complexity, and builder/architect competence. • Provide transparency to our clients regarding the services we can offer and the shift in our primary role from support and guidance to compliance and enforcement. 	2	4	12

		<p>exceeds our budget and often leads to more work.</p> <p>Additionally, we are required to demonstrate in resource allocation that registered building inspectors operate within their professional competence</p>				
9	Effects of new Building Safety legislation	<p>Amendments to the Building Act 1984 and the Building Safety Act 2022 has created a shift in the market over the duties of responsibilities of our customers. Both direct and indirect AI's.</p>	<ul style="list-style-type: none"> Reversions are increasing (work from approved inspectors passed back to the Local Authority if too complex). Review reversion processes to simplify early access to inspection records and clarify responsibilities between former inspectors and homeowners. Clarify that the purpose of the Building Regulations is not to address neighbour disputes. 	1	4	4

The risk assessment for April 2025 to April 2026 rates event likelihoods from 1 to 4. The departure of a staff member in 2024 has a likelihood factor of 4, which would change with an effective retention strategy. New Operational Service Rules from the Building Safety Regulator require compliance checks; failure to adhere within this period will incur penalties, so rated as a likelihood factor of 4.

Consequence level					
Likelihood level		Low	Medium	High	Very high
	Almost certain	10	11	15	16
	Likely	4	9	13	14
	Possible	3	7	8	12
	Rare	1	2	5	6
Risk levels					
		12-16	Extreme		
		5-11	Moderate		
		1-4	Low		

Figure 1 Consequence to likelihood Risk levels

Risk actions and escalation points			
Group	Group description	Action required for risk	Risk escalation
12-16	Red-Extreme	Action required: risks that cannot be accepted or tolerated and require treatment	Escalated to the Head of BC and executive. Control strategy developed and monitored by the Head of BC or Executive.
5-11	Yellow-Moderate	Potential action: risks that will be treated as long as the costs do not outweigh the benefits. As Low as Reasonably Practical	Managed at functional or BC Team level. Escalated to the relevant direct report to the Head of BC for information
1-4	Green-Low	No action: acceptable risks requiring no further treatment. May only require periodic monitoring	No action required. Monitoring within the functional area

Figure 2 Risk levels and Escalation Points

Audit Committee

10th July 2025



Title	Self-Assessment of Audit Committee
Purpose of the report	To make a decision
Report Author	Terry Collier, Chief Finance Officer, and Linda Heron, Monitoring Officer
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	This item is not in the current list of Corporate Priorities but still requires a Committee decision.
Recommendations	<p>Committee is asked to:</p> <p><i>To approve commencing a Self-Assessment review of the Committee and associated arrangements against the CIPFA Guidance and check list and broader best practice for Audit Committees.</i></p>
Reason for Recommendation	<i>The External Auditor's Annual Audit Report 2023-24 Improvement Action 3 recommended "The Council should take a self-assessment of its Audit Committee arrangements within the CIPFA guidance".</i>

1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> The Committee has an existing terms of reference and a set of governance arrangements In context of recent external reviews and the External Audit Annual Report 2023-24 it is now timely to review the governance arrangements relating to the Committee 	<ul style="list-style-type: none"> Undertake a facilitated self-assessment of the Audit Committee with an experienced local government audit practitioner This will address one of the Improvement Recommendations in the Annual Audit Plan Will address one of the actions in the Consolidated Action Plan

	<ul style="list-style-type: none"> Will enable the Committee and the Council to identify and implement any appropriate improvements
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Agree to undertake the Self Assessment Rob Winter to attend the Committee on the 10th July to summarise the approach to be undertaken in September Committee Members to digest the appended CIPFA guidance A self-assessment process to be facilitated in September by Rob Winter Report to be presented to 25th September Audit Committee

1.1 This report seeks to *set out a process for undertaking a self-assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA) 2022 Guidance for Audit Committees, and to use the CIPFA self-assessment check list.*

2. Key issues

2.1 As the *CIPFA Position Statement on Audit Committees in Local Authorities and Police* – Appendix A states “Audit committees are a key component of an authority’s governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee’s role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.”

2.2 The Position Statement summarises the core functions of audit committees as “to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.”

2.3 The CIPFA *The Audit Committee Member in a local authority* (Appendix B) expands on the role of Audit Committees setting out its role in broader governance arrangements “Good governance is ultimately the responsibility of the governing body (the full council or equivalent), as well as those with leadership roles and statutory responsibilities in the organisation, including the elected mayor (where applicable), chief executive, the chief financial officer (CFO) and the monitoring officer. In local government, the governing body is the full council or authority. Putting good governance into practice requires both members and officers to play their part. The audit committee should play a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting. In local government, the authority sometimes delegates specific governance responsibilities, though CIPFA’s recommendation is that the audit committee should remain an advisory committee”

- 2.4 CIPFA most recently issued guidance for audit committees in 2022 with the publication *Audit Committees Practical Guidance for Audit Committees*
 - 2.5 Appendix D is the CIPFA Checklist for Self-Assessment of Good Practice for Audit Committees. This provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and guidance. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.
 - 2.6 As Committee members will have noted some of the checklist questions are more subjective than others and potentially it would be challenging for the Audit Committee to be "marking its own home work". So, it is proposed that an experienced local government practitioner assists in providing an independent assessment based on input from the Committee and with a view to help the Committee to identify a number of improvement opportunities. The Council was already planning to work with Rob Winter, a very experienced former head of Internal Audit, who as will be noted from the CIPFA acknowledgements provided some input for CIPFA on the Guidance for Audit Committees. So, it is felt that Rob would be a well placed to assist the Committee in this review. Appendix E is a summary of the draft proposal for the review put forward by Rob Winter.
 - 2.7 CIPFA provides further guidance in *Guiding the Audit Committee – Supplement to the Audit Committee member guidance* (Appendix C)
 - 2.8 As the CIPFA *Audit Committees Practical Guidance for Audit Committees* 2022 edition - a supplement to the guidance for audit committee guidance, states "Where an authority is found to have failed in its statutory obligations to provide best value, the government has the power to intervene. The audit committee is one of the mechanisms an authority should have in place to identify, escalate and oversee the improvement of any governance weaknesses". In this context it is particularly important that the Committee address the Improvement Recommendation 3 of the External Auditor's Annual Audit Report which read "*The Council should take a self-assessment of its Audit Committee arrangements within the CIPFA guidance*". By ensuring that the Audit Committee has appropriate governance arrangements, training and support, it will be able to ensure it is best equipped to review and oversee the improvement of governance weaknesses identified in various recent external reviews. The responses to these external reviews are set out as actions in the Consolidated Action Plan which the Committee will be reviewing at every meeting of the Committee.
3. **Options analysis and proposal**
 - 3.1 Option 1 (preferred) proceed with the proposed approach to undertaking a self-assessment of the Committee's governance and support arrangements.
 - 3.2 Option 2: make suggested amendments to the approach.
 - 3.3 Option 3 (not recommended) – decide not to undertake any self-assessment.
 4. **Financial management comments**
 - 4.1 As has been set out audit committees play a key role in ensuring effective governance in councils, and this in turns helps ensure effective governance

underpinning financial management decisions, transactions and ensuring appropriate transparency and accountability. The proposed Self-Assessment process will cost £5,000.

- 4.2 **Chief Finance Officer comments:** I fully endorse the proposal of undertaking a Self-Assessment against the CIPFA standards. This will help the Council address one of the improvement recommendations in the Annual Audit Report and help ensure that we have appropriate governance around the financial activities of the Council. We will involve the Commissioners in this review and they will be invited to participate, if they feel appropriate, in the process. I believe it will be particularly helpful to have an experienced local government audit practitioner to assist the Committee in gaining the best outcome from such a process.

5. Risk management comments

- 5.1 As 2.1 highlights a core aspect of the work of audit committees is to “provide an independent and high-level focus on the adequacy of ... risk and control arrangements.”. Ensuring that the Council has an effective Audit Committee helps underpin ensuring that we have appropriate risk management arrangements in place. Rob Winter will also be providing Risk Management training for the Council.

6. Procurement comments

- 6.1 Not directly applicable.

7. Legal comments

- 7.1 The legal implications are contained within the report.
- 7.2 **Monitoring Officer Comments:** It is good practice for the Audit Committee to review its effectiveness periodically to satisfy itself that effective assurance arrangements are in place. The carrying out of the self-assessment the Audit Committee will meet best practice requirements within CIPFA 2022 Guidance.

8. Other considerations

- 8.1 Detail any other considerations to be taken into account.

9. Equality and Diversity

- 9.1 Effective, governance arrangements, of which Audit Committees are part, help support the delivery of all Council priorities including addressing equality and diversity issues.

10. Sustainability/Climate Change Implications

- 10.1 Effective, governance arrangements, of which Audit Committees are part, help support the delivery of all Council priorities including addressing climate change and achieving Net Zero.

11. Timetable for implementation

- 11.1 It is proposed that:
- 11.2 Rob Winter attends the Audit Committee on the 10th July to briefly summarise the suggested approach to the self-assessment process (at the same time he will also set out the proposed approach to risk management training

- 11.3 In early-mid September Rob will undertake a self assessment process working with both councillors, officers and other stakeholders such as Commissioners
- 11.4 A report with improvement recommendations to be produced for 25th September
- 12. Contact**
- 12.1 Terry Collier, Chief Finance Officer – t.collier@spelthorne.gov.uk; and Linda Heron, Monitoring Officer – l.heron@spelthorne.gov.uk

Please submit any material questions to the Committee Chair and Officer Contact by two days in advance of the meeting.

Background papers: (There are none.

Appendices:

Appendix A – CIPFA 2022, Position Statement on Audit Committees in local authorities and police

Appendix B- CIPFA 2022, The Audit Committee Member in a local authority

Appendix C – CIPFA 2022, *Guiding the Audit Committee – Supplement to the Audit Committee member guidance*

Appendix D – CIPFA 2022, Checklist for Self-Assessment of Good Practice for Audit Committees

Appendix E– draft proposal for Review of Audit Committee

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CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

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Audit committees:

practical guidance for
local authorities and police

2022 edition

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The **Chartered Institute of Public Finance and Accountancy** (CIPFA) is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, major accountancy firms and other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA leads the way in public finance by standing up for sound public financial management and good governance.

The audit committee member in a local authority

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CIPFA is keen that the guidance provides practical support to audit committee members and those who work with the committee. It is therefore invaluable that we have interacted with audit committee members and officers through our training courses and events.

Thank you for providing your insights on the challenges, frustrations and rewards of being an audit committee member. I hope that this publication can support you in undertaking your important work.

Diana Melville

Governance Advisor, CIPFA

Introduction to the new guidance

As a member of your authority's audit committee, you play an important role in the good governance of the authority. The audit committee contributes to its overall success by examining how its arrangements for decision making, consideration of risk and operations work. The committee has a unique view – one that is non-political. Instead of focusing on policy and decision making, it examines the 'engine' of the authority – how things get done. Most importantly, it shines a light on areas where things might be missed or need to adapt or improve.

To be a success, your audit committee must have a good grasp of its role and responsibilities. It will also need to follow some good practice principles. These are set out in the **CIPFA Position Statement on Audit Committees**.

The aim of this practical guide is to support you in your time as an audit committee member.

This section of CIPFA's guidance is for members of an audit committee in an authority. It will support both elected members and co-opted independent members (also known as lay members) to understand the purpose of the committee and its functions and their responsibilities as members of the committee. It will link to other sections of CIPFA's guidance, which will provide additional resources.

FURTHER SECTIONS OF CIPFA'S GUIDANCE

The 2022 edition of *Audit Committees: Practical Guidance for Local Authorities and Police* builds on previous editions but aims to better target the guidance at the most appropriate audience. This section is aimed directly at audit committee members in local authorities. A separate section covers the same material but for police audit committees.

Guiding the audit committee is a supplement to the member guide. It is aimed at those who support the committee, helping them to ensure that its operations are in accordance with the appropriate legislation and good practice. It also includes links to additional resources that are relevant for the committee's work. Audit committee members may also wish to access this supplement.

There are several appendices available, including example terms of reference, improvement tools and a knowledge and skills framework. These are available across all parts of this publication.

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The purpose of audit committees

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

CIPFA Position Statement 2022

HOW THE AUDIT COMMITTEE SUPPORTS OVERALL GOVERNANCE WITHIN THE AUTHORITY

The overall aim of good governance is to align the authority's processes and structures with the attainment of sustainable outcomes. In practice, this means ensuring that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is appropriate stewardship of public assets and resources
- there is transparency and clear accountability for the use of resources in order to achieve desired outcomes for service users and communities.

Governance for the sector is defined in **Delivering Good Governance in Local Government: Framework** (CIPFA/Solace, 2016) as follows:

- Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
- To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

Good governance is ultimately the responsibility of the governing body (the full council or equivalent), as well as those with leadership roles and statutory responsibilities in the organisation, including the elected mayor (where applicable), chief executive, the chief financial officer (CFO)

and the monitoring officer. In local government, the governing body is the full council or authority. Putting good governance into practice requires both members and officers to play their part.

The audit committee should play a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting. In local government, the authority sometimes delegates specific governance responsibilities, though CIPFA's recommendation is that the audit committee should remain an advisory committee.

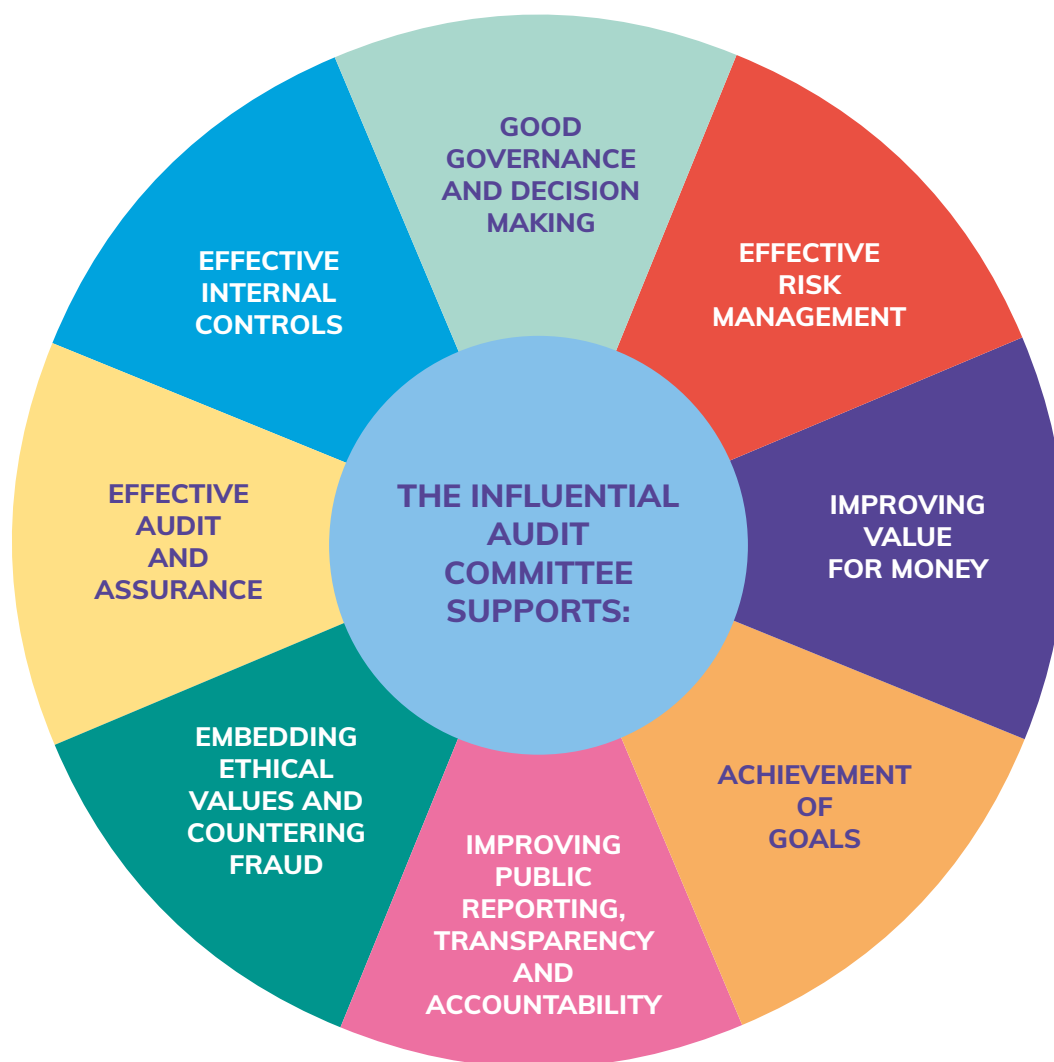
As a key component of an organisation's governance arrangements, the audit committee has the potential to be a valuable resource for the whole authority. Where it operates effectively, an audit committee adds value to its authority by supporting improvement across a range of objectives. To achieve wide-ranging influence, an audit committee will need commitment and energy from the membership, together with support and openness from the authority.

The principal areas where the committee can exert influence and add value are:

- aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements
- promoting the principles of good governance and how they are applied during decision making
- raising awareness of the need for sound internal control and contributing to the development of an effective control environment
- supporting arrangements to govern risk and for effective arrangements to manage risk
- advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively across the authority
- reinforcing the objectivity, importance and independence of both internal and external audit and supporting the effectiveness of the audit functions
- supporting the development of robust arrangements for ensuring value for money
- helping the authority to implement the values of ethical governance, including effective arrangements for countering the risks of fraud and corruption
- promoting measures to improve transparency, accountability and effective public reporting to the authority's stakeholders and the local community.

The influence that an effective audit committee can have in these areas is set out in Figure 1.

Figure 1: The influential audit committee



CIPFA's view is that audit committee functions can be most effectively delivered by a dedicated audit committee. Such a committee provides a key resource to support the implementation of good governance standards. It is possible for the functions of an audit committee to be undertaken by other committees, but a dedicated resource is likely to be more knowledgeable and effective, with more time to focus on these important issues.

The core functions of an audit committee

The core functions of audit committees should reflect both standard practice for audit committees across all sectors and the specific legislative and professional standards requirements for local authorities.

This chapter identifies the core areas of business for an audit committee and explains why they are important. The way the audit committee works must align with legislation and recommended guidance for some of these areas. This guidance is consistent with the requirements and key references are identified. *Guiding the audit committee* provides further details where required, together with links to additional resources.

The Position Statement sets out the core functions of the audit committee as follows.

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

CIPFA Position Statement 2022

The Position Statement sets out the core functions of the audit committee. Essentially, the responsibilities of the committee fall into three broad areas:

- 1 Supporting the establishment and maintenance of good governance, risk management and control arrangements.
- 2 Supporting accountability and public reporting, in particular the financial statements and the annual governance statement, and other statements that accompany the financial statements.
- 3 Supporting the establishment and maintenance of good arrangements for internal audit and external audit.

It's important to understand each area, and each area complements and supports the others. To be effective, the audit committee will need to operate across all areas and not just focus on one or two aspects.

The remainder of this section explains each of these areas in more detail. *Guiding the audit committee* provides more details on legislation, standards and supporting resources.

MAINTENANCE OF GOVERNANCE, RISK AND CONTROL ARRANGEMENTS

Good governance

Local authorities should actively apply the framework of good governance (**Delivering Good Governance in Local Government: Framework** (CIPFA/Solace, 2016)) ('the Framework') and the seven principles of good governance. The audit committee plays an important role in supporting the Framework, not least with its approval of the annual governance statement (AGS), which should align with the Framework. CIPFA recommends that authorities should have a local code of governance to clearly explain how their arrangements are consistent with the principles of good governance. Where there isn't a local code, this information will be available through several sources. Whether or not there is a code, the committee should be able to understand what the authority's arrangements for governance are.

To provide a meaningful review of the AGS, audit committee members should be able to draw on their knowledge of the governance arrangements and on assurances they have received during the year. The audit committee should undertake the following activities to discharge their responsibilities:

- Review the local code of governance and any changes to the arrangements in the year (note it is not the responsibility of the audit committee to establish any local code, but it should be consulted).
- Ensure that a framework of assurance underpins the AGS (see **Assurance and audit arrangements** for more details on assurance planning).
- Over the course of the year, receive reports and assurances over the application of the governance arrangements in practice.
- Review the governance arrangements being put in place for major developments, such as the establishment of a collaborative arrangement or trading company.
- Monitor implementation of action plans or recommendations to improve governance arrangements.
- Consider how the organisation applies governance principles in practice during the committee's review of other agenda items.

Given its role in overseeing the local code of governance and the AGS, the audit committee can promote the implementation of good governance across the authority to make things better in the future, not just review what happened in the past. For example, the committee may make recommendations for action to senior management or refer matters to other committees. The limits to the decision-making powers of audit committees are considered in more depth in **Independence and accountability**.

Where an authority is found to have failed in its statutory obligations to provide best value, the government has the power to intervene. The audit committee is one mechanism an authority should have in place to identify, escalate and oversee the improvement of any governance weaknesses to avoid the necessity of government intervention.

Further details on the AGS and the committee's role in reviewing it are included later in **Accountability and public reporting**.

Ethical framework

Public sector entities are accountable for not only how much they spend but also how they use the resources they have been entrusted with. This is at the heart of Principle A of the governance framework:

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

With its core role in supporting good governance, support for the ethical framework of the authority is also important for the audit committee. In addition, authorities have an overarching mission to serve the public interest in adhering to the requirements of legislation and government policies. This makes it essential that the entire authority can show the integrity of all its actions and has mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels. As part of its review of governance arrangements, the audit committee should be satisfied that there are adequate arrangements for achieving this.

All authorities should have regard to the Seven Principles of Public Life, known as the Nolan Principles:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

The authority will have specific arrangements in place to oversee and operate standards, such as a standards committee, and the audit committee will not duplicate its responsibilities. Instead, its role is to oversee the arrangements that are in place to establish and maintain ethical standards and to obtain assurance over them. This supports the AGS.

Assurance over ethics will come from internal audit or from other sources of assurance, particularly for the annual review underpinning the AGS.

Risk management

Assurance over risk management will be a key element underpinning the AGS. The audit committee also needs a good understanding of the level of assurance the risk management arrangements provide when it reviews the risk-based internal audit plan or reviews other assurances on areas of risk.

The role of the audit committee in relation to risk management covers three major areas.

- 1** Assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the ownership of and accountability for risks. Specifically, this includes:
 - overseeing the authority's risk management policy and strategy and their implementation in practice
 - overseeing the integration of risk management into the governance and decision-making processes of the organisation
 - ensuring that the AGS is an adequate reflection of the risk environment.
- 2** Keeping up to date with the risk profile and the effectiveness of risk management actions by:
 - reviewing arrangements to co-ordinate and lead risk management (an example of such an arrangement is the existence of a group to examine, challenge and support the risk assessment process to ensure consistency across the organisation)
 - reviewing the risk profile and keeping up to date with significant areas of strategic risks, major operational risks or major project risks and seeking assurance that these are managed effectively and owned appropriately (the committee should avoid duplication of risk monitoring and scrutiny undertaken by other committees)
 - seeking assurance that strategies and policies are supported by adequate risk assessments and that risks are being actively managed and monitored
 - following up risks identified by auditors and inspectors to ensure they are integrated into the risk management process.
- 3** Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management by:
 - overseeing any evaluation or assessment of the body's arrangements, such as a risk maturity assessment or risk benchmarking
 - reviewing evaluation, assurance and audit reports on risk management and monitoring progress on improvement plans.

Acting as a risk committee

Local government bodies do not usually establish a dedicated committee with responsibility for risk management. Instead, committees such as policy and resources, cabinet or scrutiny are likely to play a role in the oversight of individual risks and the adequacy of the risk response. The leadership team, including the executive member body, will take the lead in establishing the risk appetite of the authority. The audit committee should understand the roles played by other committees to avoid duplication and confusion with its own role.

Where other member bodies do not actively review key risks, the audit committee could take on additional functions involving more in-depth reviews of risks. In doing so, the committee should be mindful of when it is acting as a risk committee rather than just as an audit committee.

These functions could include:

- regular reviews of risk registers, particularly strategic risks, and significant operational risks to consider their adequacy and effectiveness in capturing and assessing risks
- risk challenge to evaluate whether planned mitigations are appropriate and effective, making recommendations to the responsible risk owner where appropriate
- identifying dependencies or links between risks and considering if the planned mitigations recognise this
- considering if risks have been escalated appropriately and in a timely manner
- supporting the leadership team in their review of risk appetite, though the final decision should remain with the leadership team.

The audit committee's terms of reference should make it clear whether risk committee roles are included.

Internal controls

The leadership team and the service managers within the authority are responsible for putting in place appropriate internal control arrangements. The aims of internal controls are to:

- manage risks
- allow agreed policies and processes to be put into practice.

In doing these two things, an effective 'internal control framework' will make it more likely that the authority's objectives will be achieved. The internal control framework is a way of describing the complete set of controls that management have put in place.

Controls may take different forms according to the risks that they are intended to manage and their purpose. Some examples of controls include the following:

- Access controls within an IT system determine who has access to that application and the available functions and data (a preventative control).
- Procurement rules, guidance and relevant training may be used to ensure that procurement decisions are within the law and achieve best value (a directive control).
- An exception report identifies outlier transactions in a process for review and approval by management (a detective control).
- Procedures to ensure that a copy of data is kept secure and away from the primary system to allow for recovery (a corrective control).

The control framework will include many corporate arrangements such as an authority's financial regulations, contract standing orders and human resources policies, as well as service-specific controls embedded within a range of policy documents, guidance notes, training manuals and instructions. Some authorities use a structured framework to classify their control frameworks. Some controls are fundamental to a system; often, they are described as 'key controls'.

The effectiveness of the internal control framework should be considered as part of the annual review on governance. Where there are significant control failures, or an overall weakness in the framework, then it should be considered for disclosure in the AGS. CIPFA's **Financial Management Code** (FM Code) (2019) provides a set of principles covering the operation of financial management throughout the authority to help ensure that internal financial controls operate effectively. Assurance over the level of compliance with the FM Code should be considered as part of the annual review on governance.

The head of internal audit's annual opinion (see [Internal audit](#)) will provide an annual opinion covering the framework of internal control alongside that of risk management and governance. This too will inform the AGS. Reports from internal audit and external audit will provide assurance on the adequacy of specific controls.

Historically, internal audit and the audit committee were expected to focus most on financial controls, but today the focus of both will encompass a much broader set of controls.

While a range of internal controls are essential, the audit committee should be conscious that too many controls could result in greater inefficiency or ineffectiveness in an operation. Controls may also become outdated or otherwise no longer fit for purpose. Introducing new controls may incur additional costs or other resources. The committee should strive to ensure that the authority has an appropriate level of internal control linked to the authority's attitude to risk.

Value for money and best value arrangements

Making best use of resources is a key aim for all local authorities and is part of the governance framework. One of the behaviours and actions that underpins Principle C of the Framework is "delivering defined outcomes on a sustainable basis within the resources that will be available". Making best use of resources is an essential enabler to achieving the goals and objectives that the authority has set for itself.

Like other aspects of the committee's responsibilities, the primary focus is on the authority's arrangements for ensuring value for money rather than reviewing the actual performance achieved. This means seeking assurance that the authority has put in place the right mechanisms and is actively pursuing better value for money.

When planning work in relation to value-for-money arrangements, the audit committee should be mindful of what other committees may do. There is a potential overlap with the work of the scrutiny function, so care will be needed to avoid duplication. For example, a scrutiny committee may receive performance reports that show performance against a dashboard of indicators or may benchmark performance against other bodies.

Using this information, the scrutiny committee will challenge whether the authority is on track to achieve its performance targets and meet its objectives. They will highlight areas where value for money may be an issue. The audit committee will first focus on the overall arrangements that are being put in place to achieve value for money. They will receive assurances, from internal audit or from other sources of assurance, on how effectively those arrangements work in practice. As a result of the work of the audit committee, areas of concern about value for money may be identified and recommendations for further action or investigation made.

The audit committee will see references to value for money as part of other areas within its terms of reference. For example:

- Internal audit reports may highlight a value-for-money risk as part of a wider assurance review. It may feature in the head of internal audit's annual opinion.
- The AGS should include reference to how effectively the value-for-money aspect of governance is operating in practice. A value-for-money concern could be included as a recommendation for action if it were significant.
- Output from the risk management arrangements may highlight risks to value for money.

One major area where the audit committee will receive assurance on the adequacy and effectiveness of value-for-money arrangements is from the authority's external auditors. Across the UK, the different audit arrangements have resulted in differences in how value for money and best value are considered by the auditors. Further details of audit codes are set out in *Guiding the audit committee*.

Countering fraud and corruption

Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption. If money is misdirected or assets lost to fraud, it means that limited budgets are less able to meet service demands and fulfil the authority's objectives. When any authority experiences a significant fraud or case of corruption, it damages public perception of that authority and undermines public trust. Effective counter fraud and anti-corruption arrangements also relate to the ethical standards that the public expects members and officers to uphold.

The audit committee should have oversight of the authority's arrangements for managing the risks from fraud and corruption, providing assurance that they are fit for purpose. The arrangements should extend beyond having the facility to investigate an allegation or other evidence of fraud. It should include a much broader strategy and understanding of the risks. Guidance on establishing such arrangements is available to authorities in the [CIPFA Code of Practice on Managing the Risk of Fraud and Corruption](#) (2014).

Oversight of counter fraud plans and availability of resources and their effectiveness are key areas for obtaining assurance. Specific actions should include:

- reviewing the counter fraud strategy and considering whether it meets recommended practices
- championing good counter fraud and anti-corruption practice to the wider organisation
- reviewing the fraud risk profile and estimate of fraud losses or potential harm to the organisation and its local community
- reviewing the annual counter fraud plan of activity and resources, seeking assurance that it is in line with the strategy and fraud risk profile
- monitoring the overall performance of the counter fraud function
- overseeing any major areas of fraud identified and monitoring action plans to address control weaknesses
- consideration of assurance provided by internal audit.

The CIPFA guidance on the AGS recommends that the adequacy of counter fraud arrangements is evaluated and reported in the AGS using the counter fraud code. The audit committee should have sight of the assurances underpinning this assessment and can play an important role in supporting the development of effective counter fraud and corruption practice.

Arrangements for partnerships, collaborations and subsidiaries

Authorities commonly have a wide range of partnership and collaborative arrangements, including strategic relationships with other public sector organisations, shared service arrangements, commercial relationships with private sector partners and a range of service delivery arrangements with community groups or social enterprises. Authorities may also be the accountable body for local enterprise partnerships (LEPs). Increasingly, authorities have subsidiary arrangements such as commercial trading companies.

Ensuring the adequacy of governance and risk management over such arrangements can be complicated, but it is important, as accountability for performance and stewardship of the public funds involved remains with the authority. For these reasons, the role of the audit committee in relation to these arrangements should be clearly defined.

The audit committee's role should be to consider assurances on whether the partnership or collaboration arrangements are satisfactorily established and are operating effectively. The committee should satisfy itself that the principles of good governance underpin the partnership arrangements. For example, the audit committee should seek assurance that the authority has appropriate arrangements to identify and manage risks, ensure good governance, and obtain assurance on compliance. The committee may also want to know what arrangements have been put in place to maintain accountability to stakeholders and ensure transparency of decision making and that standards of probity are maintained.

For subsidiary arrangements such as the establishment of a trading company, the audit committee will also need to receive assurances that the governance, risk and control arrangements of the authority's oversight of the company are robust.

Where an authority is developing new partnership or collaboration arrangements, the audit committee may wish to receive assurance over governance matters at the project stage. When reviewing the proposed structure, the committee should consider whether the authority has the necessary expertise, advice and training in place to take on new governance roles.

It is also important that the committee clarifies its own responsibilities in relation to the governance arrangements of the new service delivery organisation. Will they act as the audit committee for the new structure, for instance?

The audit committee should consider assurances that underpin the AGS to make sure that partnerships are covered. Where a partner organisation (such as a shared service entity) does not have its own audit committee, then the audit committee could be nominated to undertake this role. This is most likely for the audit committee of the accountable body to support the CFO.

ACCOUNTABILITY AND PUBLIC REPORTING

Public bodies must operate transparently, and being accountable to the public and stakeholder groups is a fundamental aspect of governance arrangements. The audit committee plays a key role in supporting the body's accountability for the use of public money and for the way it is governed. While other public reports are also available, the annual financial reports and the annual governance statements are important accountability statements that are mandated by legislation and guided by professional standards. These accountability statements are the responsibility of those charged with governance, but the audit committee will play a key role in reviewing the arrangements that underpin them and reviewing the statements themselves.

Financial reporting

Local government bodies are required to produce their statutory statements of accounts in accordance with professional accounting standards to ensure a consistent approach and appropriate treatment. This provides confidence to the user in the financial results. The accounting standards are determined by CIPFA/LASAAC and are set out in the **Code of Practice on Local Authority Accounting in the United Kingdom**, updated annually. These standards must incorporate both International Financial Reporting Standards (IFRS) and any adaptations or interpretations necessary for the local government context and local government legislation. A particularly important part of this is the legislative framework that changes what is charged to a revenue account under accounting standards (IFRS) to mitigate or manage the impact of those standards on council taxpayers. As a result, the accounts have an extra layer of complexity that an organisation such as a limited company would not have.

The primary users of financial statements are the recipients of the local services provided and their representatives, together with the providers of the resources required to deliver those

services. Local authority members and Members of Parliament are primary users of local authority financial statements in their capacity as representatives of the interests of service recipients and resource providers.

CIPFA's [Guide to Local Government Finance](#) (2019) sets out details of accounting concepts and principles that underpin the financial reports. The key financial statements are as follows:

Key statements in annual accounts	
Comprehensive Income and Expenditure Statement	This is where all the income and expenditure of the authority is recorded in line with accounting rules. This statement is similar to the one you would find in a private company.
Movement in Reserves Statement	This statement shows the impact of the financial year on the authority's reserves. It also includes all the income and expenditure that is recognised under accounting rules but then removed from the accounts by legislation to give the amount of expenditure that has been funded by the local taxpayer.
Balance Sheet	This statement summarises an authority's financial position at each year-end and reports the assets, liabilities and reserves of the authority. Some of the reserves are specific to authorities, such as the pensions reserve and the capital adjustment account, and exist to allow accounting entries required by legislation. This statement is similar to the one you would find in a private company.
Cash Flow Statement	This summarises the cash flows that have been made into and out of the authority's bank account during the financial year. This statement is similar to the one you would find in a private company.

Some authorities will need to include specific statements to account for their activities – for example, the Housing Revenue Account (HRA) or collection fund – and councils in Scotland are required to hold trading accounts (some councils in the rest of the UK may hold these voluntarily). Administering authorities of the Local Government Pension Scheme will also need to produce pension accounts for their fund.

Authorities are required to include a narrative report in the accounts (management commentary in Scotland). This should provide information on the authority, its main objectives and strategies, the principal risks that it faces and how it has used its resources to achieve its desired outcomes in line with its objectives and strategies. For a non-expert reader, this report will help to explain the statements and help demonstrate the extent to which the objectives of the authority have been achieved.

The role of the audit committee is to review the financial statements prior to approval. The statements are the responsibility of all those charged with governance – the full member body – but the audit committee is delegated the responsibility of a detailed review. Some authorities fully delegate responsibility to the audit committee by including final approval of the accounts in the committee's terms of reference, but CIPFA has always set out the committee's role to be one of review rather than decision making. In England and Wales, co-opted independent members cannot vote to approve the accounts under Section 13 of the [Local Government and Housing Act 1989](#) (see [Membership and effectiveness of the audit committee](#)).

Accounts preparation

The preparation of the statutory statements of accounts is the responsibility of the CFO. The deadline for the publication of the statements is set out in regulations by each of the UK governments. Recently, achieving these deadlines has been adversely impacted by the COVID-19 pandemic and delays in the completion of audits. Monitoring the status of both completion of the statements and liaison with the auditors before publication will be important for the audit

committee. The audit committee will want assurance that the finance team can deliver a set of financial statements of appropriate quality in accordance with the statutory deadlines. Factors they will wish the finance team to highlight to them include:

- significant changes in accounting policies and their implications
- significant judgements made by the authority on material transactions
- changes to the operational basis of the authority – for example, the establishment of a trading company that will need to be consolidated into the accounts
- capacity and capability within the finance function to meet quality standards and deadlines
- whether there have been previous problems with the quality of the financial statements – for example, issues and recommendations from the previous year's audit
- issues arising from any internal assurance or internal audit reviews and actions taken
- any changes to the external audit requirements that could have implications for the preparation of the statements – for example, the drive to improve audit quality has included increased professional scepticism.

Reviewing the statutory statements of accounts

The complexity and length of the financial statements can be daunting for audit committee members, especially if this is an area where they do not have prior experience. CIPFA has resources that will provide more detailed guidance on the statements and underlying concepts, and specific training is also recommended.

Key areas that the committee should focus on in their review are as follows:

- The narrative report, ensuring that the messages are consistent with the financial statements. The committee should also consider the implications of the issues and challenges identified and consistency with other risk information provided.
- What steps have been taken to make the narrative report readable and understandable to a non-expert and whether steps have been taken to make the accounts accessible. CIPFA's **Streamlining the Accounts** (2019) includes a section on the presentation and layout of the accounts.
- Reviewing the completeness of the information reported and asking about the steps taken to ensure that the disclosures are complete.
- Identifying the key messages from each of the financial statements and evaluating what that means for the authority in future years.
- Monitoring trends and reviewing for consistency against financial performance observed over the course of the year.
- Reviewing the suitability of accounting policies and treatments and any changes to them – for example, asking the CFO to highlight to the committee where accounting treatment is open to different approaches and explaining why the method used has been chosen.
- Seeking explanations for changes in accounting policies and treatments – for example, where there has been a change in the accounting standards.
- Reviewing major judgemental areas – for example, provisions or reserves.

Understanding Local Authority Financial Statements (CIPFA/LASAAC, 2016) includes a checklist of questions to ask about a local authority's statements that audit committee members may find particularly helpful.

A current topic for discussion is whether further steps could be taken to make the financial statements more understandable for the public. A recommendation of the Redmond Review was that a standardised statement of service information and costs should be prepared and presented alongside the statutory accounts. This recommendation is still under discussion and review, and the introduction of such a statement would be a development of interest to the audit committee. The audit committee will be interested in any steps taken to improve transparency and accountability by ensuring that the key messages are accessible to users.

Annual governance statement

The committee's role in supporting the principles of good governance and the local code of governance was outlined in the section on supporting good governance, risk management and internal control. The AGS is the key annual public report that requires the authority to evaluate the effectiveness of its governance arrangements.

While the committee will see other agenda items that describe the governance arrangements that have been established – notably updates to the local code of governance – the AGS is all about evaluation. It is an assessment of how good those arrangements are in practice, leading to an opinion on whether they are fit for purpose. Where there are areas for improvement, these should be identified and an appropriate action plan established.

The audit committee should play a key role in reviewing the AGS prior to its final approval. It is typical for the AGS to be provided in draft, usually at the same time the financial statements are prepared. The timetable for final publication follows the regulations of the relevant UK national government.

Key aspects that the audit committee should consider when reviewing the AGS include:

- whether the statement is user friendly for a lay reader
- whether the statement focuses on evaluation, leading to a clear opinion of whether arrangements are fit for purpose and meet the principles of good governance
- whether the AGS is an accurate representation of arrangements, consistent with other information known to the committee (committee members should be able to recognise their own authority's strengths and weaknesses)
- whether it includes appropriate disclosures on conformance with specified codes and standards and is consistent with current CIPFA guidance
- whether the AGS is supported by an appropriate action plan to implement the required improvements and if this is robust.

Although the AGS publication follows the same timetable as the financial statements, it can also be published as a separate accountability report. This would help raise its prominence and value to local stakeholders, providing improved transparency.

ASSURANCE AND AUDIT ARRANGEMENTS

Assurance frameworks and assurance planning

The term 'assurance framework' is used to describe the various means through which the authority's leaders, managers and decision makers can trust that the policies and procedures they have approved are being implemented in practice and operating as intended. Putting in place this framework is the responsibility of the leadership team.

For the audit committee member, reviewing assurances on the operation of governance, risk management and control arrangements is a core part of their role. The committee should also be concerned to know that an adequate assurance framework exists to inform the leadership team.

The audit committee may see references to the Three Lines Model of assurance developed by the Institute of Internal Auditors (IIA). More details of the model are contained in *Guiding the audit committee*. Briefly, the Three Lines Model identifies three different types of assurance:

- Management assurance – embedded in line management arrangements.
- Oversight and compliance assurance – review and monitoring functions.
- Independent assurance (internal audit).

Occasionally, there might be reference to the ‘fourth line’, referring to assurance that comes from outside the authority such as from external auditors or inspectorates.

Some authorities set out their assurance arrangements in a map or diagram. Typically, these outline key areas of the assurances needed and identify the assurance providers.

Whether or not there is a formal assurance framework, the audit committee has a responsibility to understand what assurance is available to support the AGS and to enable the committee to meet its terms of reference. The committee should seek to ensure that assurance is planned and delivered, with the following objectives in mind:

- Clarity on what assurance is required.
- Clear allocation of responsibility for providing assurance.
- Avoiding duplication, bearing in mind the differing objectives of assurance activities.
- Improving the efficiency and cost effectiveness of assurance.
- Obtaining assurance of appropriate rigour and independence across a range of assurance providers.

Each authority has core activities that are central to its effective operation, and the audit committee should consider what assurance it receives on these, whether through the annual governance review, internal audit or management assurance. Core arrangements would include financial management and counter fraud, but other key areas include information governance, information security, procurement, ethical governance, human resources and health and safety.

In reviewing assurance arrangements, the committee should bear in mind that the assurance process has a cost to the authority, and it should therefore be proportional to the risk.

Supporting and making best use of audit

Supporting the authority’s auditors, both internal audit and external audit, is an important dimension to the committee’s work. Helping to make best use of the process of audit and audit outputs will contribute to the committee’s overall purpose. This section explains the committee’s interactions with both internal and external audit and the role of the committee in supporting effective arrangements.

External audit

Within an authority, the full council – all elected councillors – are characterised as “those charged with governance”. In practice, the exercise of some governance responsibilities is delegated to specific committees. This is of particular importance in relation to external audit, as external auditors are required by auditing standards to report to “those charged with governance”. While

the audit committee is the representative body for much of the interface with the external auditors, it is important to remember that all councillors have a governance responsibility, and it is important that they are familiar with key messages from the authority's external auditors.

The audit committee will have several interactions with the external auditors each year following a regular cycle of planning and reporting. There are also roles for the committee in supporting the independence of the auditors, the effectiveness of the external audit process and the impact of their work. The following sections provide more support for the critical interactions between the auditor and the committee. External audit is subject to stringent professional standards and some of these are highlighted in *Guiding the audit committee*. Committee members should recognise that these standards do require auditors to operate in a certain way.

Appointment

In some other sectors, the audit committee plays a lead role in the appointment of the external auditor. In local government, one of the principles of public audit is that appointment should be independent of the organisation. In local government bodies in Wales, Scotland and Northern Ireland, the national audit bodies are responsible for the delivery of local audit. In England, the **Local Audit and Accountability Act 2014** changed the appointment and delivery model for local government bodies, introducing a more direct role for the authority.

In all authorities, the audit committee's role in appointment includes expressing an opinion on the selection and rotation of the external auditor through whichever method is applicable for the organisation. The audit committee's objective is to support auditor independence and effective arrangements and relationships with the auditors.

In England, for all opted-in bodies, Public Sector Audit Appointments (PSAA) appoints the auditor following consultation with the body. Otherwise, the audit committee will work alongside the auditor panel, which will oversee the local appointment process and provide advice to the authority on the final selection. Where the audit committee members meet the requirements of an auditor panel, as defined in regulations supporting the 2014 Act, then the committee can operate as an auditor panel itself and make recommendations on the appointment of the local auditor. Regard must be had for the 2014 Act and regulations if the committee is nominated as an auditor panel.

Monitoring the external audit process

The audit committee's role in relation to the external audit process has three principal aspects:

- 1 To provide assurance that the external auditor team maintains independence following its appointment.
- 2 To receive and consider the work of external audit.
- 3 To support the quality and effectiveness of the external audit process.

Supporting independence

The independence of auditors is critical for confidence in the audit opinion and audit process.

Each year, the external auditor will disclose to the committee an assessment of whether it is independent. These disclosures should include any significant facts that could impact, or be seen to impact on, independence and objectivity, together with any safeguards put in place. Usually, this disclosure is included in the audit plan and when reporting. The audit committee should use these opportunities to discuss their assessment of threats to independence with the external auditor and any safeguards.

The audit committee should seek information from the external auditor on its policies and processes for maintaining independence and monitoring compliance. It should also satisfy itself that no issues with compliance with the ethical standard have been raised by the contract monitoring undertaken by PSAA, the auditor panel (in England), or from audit quality reviews by the Financial Reporting Council (FRC) or the Institute of Chartered Accountants in England and Wales (ICAEW). Regarding non-audit services, audit committees should monitor the approval of non-audit work and, in England, consider the oversight of either PSAA or the auditor panel as appropriate.

Receiving and considering the work of external audit

The committee should receive the planned work programme to support the opinion and receive reports following the completion of external audit work. Where external audit makes recommendations, the audit committee should discuss the action to be taken with managers and monitor the agreed action plan. The committee should contribute to the authority's response to the annual audit report.

While the Code of Audit Practice for each nation will specify exact outputs, the reports from the external auditors are likely to include the following:

- A plan – including approach, risks, team, timetables and outputs.
- Interim reports – reporting on progress, new developments and interim conclusions.
- An opinion on the financial statements and the outcome from the audit. The auditor will also identify any material errors and recommendations.
- Best value or value-for-money arrangements reports – the format of these vary according to the Code of Audit Practice the auditor is working to.
- An annual report.

In England, the Redmond Review recommended that the auditor's annual report should be submitted to full council by the external auditor. CIPFA's recommended approach is that the report should first be submitted to the audit committee for discussion and then submitted to full council by the auditors, accompanied by the response recommended by the audit committee to any significant issues raised in the report. This will support greater transparency with the public and help all elected members understand the outcome of the audit. It should also help to raise the profile of the audit committee among other elected members.

CIPFA also recommends that this approach is adopted by authorities in the rest of the UK unless other arrangements exist to achieve the same level of transparency and strengthened governance.

Auditors may also report by exception. If they identify an area of concern, then the auditors may investigate and may make a recommendation for improvement or a public report. Any such action should be taken very seriously by the audit committee.

Supporting quality and effectiveness

If the audit committee member has no prior experience of audit committee work or external audit, then reviewing the quality of external audit can be a challenging aspect of the work and one where additional training may be required. It is an important aspect of the work of the committee, as it sets expectations for the auditor for the timely delivery of a high-quality audit. It should also support better engagement and interaction between auditor, committee and management. Overall, active interest from the committee will support better outcomes in terms of confidence in the audit opinion, usability of audit output and better understanding of the audit process.

Guiding the audit committee signposts resources on audit quality that can be of use to audit committees.

Reports from inspectorates or other regulatory bodies

In addition to audit reports, the authority may be inspected where it has particular service responsibilities. For example, social care services are inspected by the Care Quality Commission (CQC), education and skills services are inspected by the Office for Standards in Education, Children's Services and Skills (Ofsted), and a fire and rescue authority will be inspected by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). Other regulatory bodies, such as the Information Commissioner's Office (ICO), may also review and inspect arrangements.

Where inspectorates are focused on operational matters, the committee's role may be limited, but all external assessments and recommendations provide assurance on the robustness of governance, risk and controls within the authority. It is therefore important that the committee is aware of the overall conclusions. Where issues are highlighted by inspections within the remit of the committee, it may play a more active role – for example, reviewing the implementation of an improvement plan. The committee will also want to consider how the work of these assurance providers are taken into account as part of external audit or internal audit.

Internal audit

The authority's internal audit service, whether an in-house team or provided through a shared service or outsourced arrangement, is an essential partner for the audit committee. It is a major source of assurance, providing coverage across many areas that the audit committee will want to know about. The committee also plays an important role in the support for and oversight of the internal audit arrangements, helping to hold it to account. This role is in part determined by the professional standards that the internal auditors must adhere to.

The specific roles of the audit committee in relation to internal audit are to:

- oversee its independence, objectivity, performance and professionalism
- support the effectiveness of the internal audit process
- promote the effective use of internal audit within the assurance framework.

The activities that underpin these three objectives are below.

Oversee independence, objectivity, performance and professionalism

The Public Sector Internal Audit Standards (PSIAS) set out functional reporting arrangements for internal audit to ensure its organisational independence. These are requirements of the professional standards, so there is an expectation that the audit committee should provide support. Each authority will have an internal audit charter, which will set out reporting relationships for internal audit, and the audit committee terms of reference will need to include those elements that relate to it. The charter is likely to set out the audit committee's responsibility to:

- review or approve the following:
 - the internal audit charter
 - the risk-based internal audit plan
 - the internal audit budget and resource plan
- receive confirmation of the organisational independence of the internal audit activity
- consider the appointment and removal of the head of internal audit (referred to in the PSIAS as 'chief audit executive') or the award of a contract for internal audit services

- make enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations on internal audit
- approve and periodically review any safeguards put in place to limit impairments to independence and objectivity where the head of internal audit has been asked to undertake any additional roles/responsibilities outside of internal auditing
- receive the head of internal audit's annual report, which includes:
 - the annual opinion on the overall adequacy and effectiveness of governance, risk management and control
 - a summary of the work on which internal audit has based the opinion
 - a statement on conformance with the PSIAS and the Local Government Application Note (LGAN)
 - the results of the quality assurance and improvement programme (QAIP), including specific detail as required in the PSIAS
- discuss with the head of internal audit the form of the external assessment of internal audit and the qualifications and independence of the assessor
- receive the report on the external assessment of internal audit (at least once every five years), including its overall conclusion and any recommendations (the committee should monitor the implementation of the improvement plan).

The head of internal audit, also known as the chief audit executive, must have unfettered access to the chair of the audit committee. In addition, the chair of the audit committee may serve as sponsor for the external assessment, which forms part of the QAIP, at least once every five years.

Support effective arrangements for internal audit

The audit committee has an important role to play in supporting the process of internal audit and outputs from audit work. It should help ensure that the authority's internal audit is effective, which will mean that the audit committee is better supported, with access to the assurance it needs. Effective internal audit also supports better governance and control arrangements, which are aligned to the audit committee's overall purpose.

Defining the conditions for effective internal audit is not straightforward – different authorities may feel they have effective arrangements using very different service models, for example. However, there are some essential conditions that internal audit needs to be effective:

- A service that operates in accordance with PSIAS.
- A service with access to sufficient and appropriate capacity and capability.
- Leadership from the head of internal audit.
- Good engagement with the committee and management.
- An organisational culture that actively promotes and understands the role of internal audit.

While the designated head of internal audit can be expected to be responsible for internal audit activity, the audit committee plays an important role in supporting the organisation's attitude to and understanding of internal audit. The [CIPFA Statement on the Role of the Head of Internal Audit](#) (2019) sets out the conditions that can make internal audit effective. It is relevant for audit committee members as well as the head of internal audit. CIPFA's research report [Internal audit: untapped potential](#) (2022) also addresses whether public bodies are getting the most from internal audit.

The following activities form a core part of this:

- Receiving updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work.
- Receiving communications from the head of internal audit on internal audit's performance relative to its plan and other matters.
- Giving approval to internal audit for any significant additional consulting services not already included in the audit plan prior to internal audit accepting an engagement.
- Receiving reports on instances where the internal audit function does not conform to the PSIAS or LGAN and considering whether the non-conformance is sufficiently significant that it must be included in the AGS.
- Overseeing the relationship of internal audit with other assurance providers and with external audit and any inspectorates.
- Receiving regular reports on the results of the QAIP, including the external assessment.

Promote the effective use of internal audit within the assurance framework

The audit committee should make best use of the internal audit resource within the assurance framework. In particular, the audit committee should seek confirmation from internal audit that the audit plan considers the requirement to produce an annual internal audit opinion that can inform the AGS. Specific activities will include:

- approving (but not directing) the risk-based plan, considering the use made of other sources of assurance
- receiving reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority
- escalating internal audit recommendations where further action is needed
- bearing in mind internal audit's opinion on the overall adequacy and effectiveness of the authority's framework of governance, risk management and control when considering the AGS.

To get the best out of internal audit, the audit committee's understanding of and support for effective risk management and wider assurance arrangements is helpful.

Periodically, there are changes made to the PSIAS and LGAN, as well as more specific guidance to auditors. As a result, the committee may need to receive updates or briefings to ensure that they are aware of the latest requirements.

ENSURING THE FOCUS OF THE AUDIT COMMITTEE

The core functions of the audit committee are wide ranging. At some meetings, it will be inevitable that certain agenda items take priority to meet statutory deadlines. Audit committees should aim to ensure that within each year there is adequate coverage of each of the core functions. The assurance framework of the authority should be a useful resource to support this.

Independence and accountability covers agenda management and **Membership and effectiveness** of the audit committee covers the annual review of the effectiveness of the committee.

Possible wider functions of an audit committee

In addition to the core functions of the committee defined in the CIPFA Position Statement, there are some wider functions that it may be necessary or appropriate for the committee to take on. For audit committees of councils in Wales, there are some specific requirements set out in legislation.

REQUIREMENTS OF GOVERNANCE AND AUDIT COMMITTEES IN WALES

The **Local Government and Elections (Wales) Act 2021** built on requirements first set out in the **Local Government (Wales) Measure 2011**. The specified responsibilities not already covered by the core functions include:

- review and scrutiny of the authority's financial affairs
- review of the performance assessment arrangements of the authority
- review and assessment of the authority's ability to handle complaints effectively.

Scrutiny of financial affairs

Councils will have scrutiny committees that will undertake budget scrutiny and monitor financial performance. The responsibility of the audit committee is not to duplicate these functions, even though the legislation uses the phrase 'scrutinise'. The committee can ensure that they satisfy this requirement through their review of the financial statements, financial control arrangements and the work of internal audit and external audit.

Performance assessment arrangements

The 2021 Act introduced a duty on a principal council to keep its performance under review and to undertake a self-assessment of performance. The legislation requires the governance and audit committee to review the self-assessment report and the committee can make recommendations. The council is not required to adopt the committee's recommendations, but it should include an explanation of why it has not adopted the change.

There is also a requirement for a periodic panel performance assessment, and there is a similar requirement for the governance and audit committee to consider the panel report.

The Auditor General for Wales will have the power to undertake a special inspection if a council is thought to not be meeting the performance requirements. The governance and audit committee will receive the Auditor General's report and will consider the council's draft response to the report. If the committee makes recommendations on the draft response, the council is not required to adopt the change but must explain why it has not.

Developing the approach to the review

The governance and audit committee's focus is on the adequacy and suitability of arrangements rather than performance monitoring. In reviewing the annual self-assessment report the committee should maintain a similar overview.

CIPFA's suggested approach includes:

- consideration of whether the scope and approach to drawing up the self-assessment report is appropriate to fulfil the expectations of the legislation
- whether the council has established appropriate arrangements to obtain assurance over its performance (these arrangements should form part of the wider assurance framework)
- whether the council has carried out the appropriate consultation as part of the performance review
- considering if the panel appointed and the approach to the panel assessment fulfils the requirements of legislation
- whether the report's conclusions and recommendations are consistent with the review and assurances that underpin it
- consideration of whether there are any inconsistencies in information and assurances received by the committee in respect of its other work
- consideration of the recommendations and whether they will maintain and improve the arrangements for performance management going forward.

Arrangements for handling complaints

Assurance that there are effective arrangements to manage complaints could come within the remit of any audit committee. The specific requirement in Wales does mean that governance and audit committees will have increased focus in this area.

The focus will need to remain on the arrangements and not become a forum for the review of individual complaints. The committee will need to consider how they receive this assurance as part of the wider assurance framework. Complaints may be managed centrally or by individual department, but it should be possible for the committee to receive an overall assessment of the effectiveness of those arrangements. If complaints handling was seen as an area of risk, then it could be included in internal audit plans, but other sources of assurance should be routinely available.

TREASURY MANAGEMENT

Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance

Notes (CIPFA, 2021) requires all local authorities to make arrangements for the scrutiny of treasury management. CIPFA does not specify this to be an audit committee role, and a local authority may nominate another committee instead. CIPFA is aware, however, that many authorities have nominated the audit committee to do this, and it is therefore appropriate to consider this activity as part of this guidance.

Where the audit committee has been nominated, it should be aware that it needs to undertake a scrutiny role in accordance with the Treasury Management Code in addition to any oversight of governance, risks and assurance matters relating to treasury management that it would consider as an audit committee.

Where the committee is undertaking scrutiny, this is likely to involve the following actions:

- Developing greater awareness and understanding of treasury matters among the committee members.
- Reviewing the treasury management policy and procedures to be satisfied that controls are satisfactory.

- Receiving regular reports on activities, issues and trends to support the committee's understanding of treasury management activities. Note that the committee is not responsible for the regular monitoring of activity under clause three of the Treasury Management Code, so the purpose of receiving regular reports should be clear.
- Reviewing the treasury risk profile and adequacy of treasury risk management processes.
- Reviewing assurances on treasury management (for example, an internal audit report, external audit or other review).

Treasury management is a specialist area, so it is likely that committee members will require training, guidance and support when undertaking scrutiny.

SUPPORTING CORPORATE IMPROVEMENT PROGRAMMES

When an authority is working to an improvement programme – perhaps following a best value review or inspection – there is likely to be an oversight role for the audit committee. The committee should receive assurances that actions are being implemented and recommendations addressed. There may be a dedicated board for the programme and the committee would not seek to duplicate their work. It will need to understand progress, as it will be an area of interest to the external auditors and will link to the action plan of the AGS. Where there are areas of improvement directly within the remit of the committee, it may play a more active role.

CONSIDERING MATTERS AT THE REQUEST OF STATUTORY OFFICERS OR OTHER COMMITTEES

Occasionally, the audit committee may be requested to consider a review of a service, a proposed policy or other similar matters. Such requests could come from another committee in the organisation or from one of the statutory officers. In scoping the terms of reference for a review, the committee should avoid taking on a scrutiny or policy role and ensure the matter relates to governance, risk or control. Examples of where it may be helpful for the audit committee to assist could include:

- reviewing whether adequate governance, risk management or audit processes are in place in relation to a specific service or new policy area
- providing advice to the executive on possible risks or implications for good governance arising from a proposed course of action or decision.

In each case, the aim of the committee should be to make recommendations in line with its role as set out in the Position Statement: advocating the principles of good governance and helping to ensure that there are appropriate governance, risk, control and assurance arrangements in place.

Audit committee recommendations may support the advice or recommendations of the statutory officers but cannot override that advice.

Independence and accountability

The audit committee of an authority should be established in accordance with the principles set out in the 2022 Position Statement. These will ensure that the committee is independent from other committees in the authority and is accountable to those charged with governance.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body
- in local authorities, be independent of both the executive and the scrutiny functions
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

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STRUCTURE AND INDEPENDENCE

Committee size

In other sectors, audit committees typically have fewer than six members. This is more difficult to achieve in a local authority. CIPFA's recommendation is that authorities should strive to have no more than eight members.

A committee of this size should allow sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.

The use of substitutes on the committee is not recommended. The most effective membership will be based on knowledgeable and skilled members who are able to build on information gained at previous meetings. For example, when reviewing progress on the external audit, the committee member should have been sighted on the audit plan discussed at an earlier meeting.

Reporting lines

The audit committee is an advisory committee on behalf of those charged with governance. As a result, the committee should report to the full council, fire authority or other local government governing body. It is not appropriate to be a sub-committee of the cabinet, scrutiny or policy and resources committee.

Dedicated focus

To ensure a focus on the core functions, the committee should not be combined with other council committees such as scrutiny or standards or policy and resources. A combined committee can result in the distinction between the functions of the committees becoming blurred. The audit committee is non-political and should contain co-opted independent members. These arrangements are different to those of scrutiny. While a standards committee is also non-political and may contain lay members, its focus is different. An appropriate lay member for the audit committee may not be suitable for the work of the standards committee and vice versa. More details on the membership of the committee and role of the co-opted independent member are available in [**Membership and effectiveness of the audit committee.**](#)

Decision-making powers and delegations

CIPFA does not recommend that the audit committee be delegated decision-making powers, as it is advisory.

The committee should be able to make recommendations to other bodies for decisions – for example, to a scrutiny committee for further scrutiny review, and to cabinet, policy and resources or full council for decision. The committee can also make recommendations to the leadership team and service managers – for example, in response to issues raised by auditors.

CIPFA is aware that some authorities do delegate decisions, such as the approval of the financial statements. While the audit committee should lead on the detailed review of the statements, ultimately the statements are the responsibility of all those charged with governance. This is the equivalent of shareholders approving the annual report and accounts of a company.

Rights of access to documents and requesting attendance at committee

As a committee of the authority, the audit committee can request information relevant to its role and agenda. It is good practice to agree on a protocol, so there is clarity for all parties. Generally,

authorities operate on a principle of openness and transparency, so there should not be a difficulty in providing relevant information. At all times, the authority will need to have regard for maintaining confidentiality of personal or commercially sensitive data in accordance with guidance.

There may be times when it is not considered timely to provide the information requested – for example, where information is sensitive because of an investigation. In such cases, an adequate explanation should be given and an indication of when information might be available. The chair in particular needs to be briefed.

It is important for audit committee members to maintain an apolitical approach and a focus on overall arrangements rather than individual cases. The committee is not an investigative forum.

It will be helpful to request the attendance of officers at the committee to support discussion of a topic or to agree on the next steps. For example, if the committee wishes to review an internal audit report that identified significant areas for improvement, then it would be appropriate for the lead manager or director responsible for that service to attend the committee to discuss how they will address the weaknesses.

ADMINISTRATIVE AND OPERATIONAL ARRANGEMENTS

Supporting the audit committee

As a full committee of the authority, the committee will receive secretariat support. It will also receive guidance on the proper conduct of the meeting under the authority's constitution and legislation.

The chair of the committee should take part in planning the agenda, helping to ensure that the committee addresses its terms of reference.

Frequency of meetings

CIPFA recommends the committee should meet a minimum of four times per year. The number and frequency of meetings should be determined by what is efficient and effective to cover the work of the committee.

Some agenda items need to be considered at certain times of the year, such as the financial statements and AGS. Other items will be more flexible and others determined by urgency. An annual meetings planner can help to schedule core business throughout the year to achieve adequate coverage and a balance of activity.

Where an audit committee is addressing the full range of governance, risk, control and audit functions, care should be taken in balancing the frequency of meetings against the need to give the committee's business sufficient focused attention, without lengthy and unproductive meetings. Equally, the audit committee should review whether including each item on its agenda results in added value and whether some time-consuming aspects of audit committee business could be more effectively addressed elsewhere. In making these judgements, the audit committee should operate at a resolutely strategic level. Take care to avoid straying into matters of operational detail that service managers should resolve. The skilful chairing of meetings with well-planned agendas should provide the final mechanism for avoiding this danger.

Transparency

Audit committees will normally meet in public, and agendas and minutes will be published. On occasion, there will be agenda items that meet the criteria to be heard in private. The chair should receive advice when a 'part 2' report is scheduled. The rationale for this should be stated.

Some authorities provide facilities for public questions at the start of a meeting. This supports openness and transparency but requires committee support to ensure questions are relevant for the scope of the committee.

Meetings and interaction outside scheduled meetings

The committee may meet informally as required to fulfil other requirements – for example, to take part in training or briefing or conduct a self-assessment.

It is typical for political group meetings to take place before a policy committee meeting; however, the apolitical nature of the audit committee should make such meetings unnecessary.

It is likely that some information will be shared with committee members outside scheduled meetings. There may be a need to keep committee members briefed on issues that are on the agenda, and other matters may be too detailed for inclusion on the agenda. For example, internal audit reports may be provided in full to committee members but may be included on the meeting agenda only where there are significant risks to be discussed. Arrangements to provide the members with an appropriate level of information and updates and a protocol for managing information requests should be discussed and agreed.

Private meetings with the external auditor and head of internal audit

It is standard practice for the external auditors and head of internal audit to have direct access to the audit committee. This helps to reinforce the independence of the auditors, helping them to maintain their professional standards. It also reinforces the independence of the audit committee. A private meeting provides a safe space for discussions and questions. Even if the auditor has no concerns, the meeting provides additional assurance of that.

Suggested questions to ask at a meeting include the following:

- Are you free to determine the scope of internal audit without interference?
- Do you have the access to senior management that you need?
- Do you have any concerns about governance arrangements that you are not comfortable sharing in front of management or in public?
- Are there any emerging governance risks that the committee should be alert to?

The meeting could also be used to test out a question on the auditor, perhaps when the audit committee member is not sure if it is an appropriate question to ask. The meeting thus provides a safe space for committee members and enables the member to ask with confidence in the open meeting. However, it is important that a private meeting is not used as a substitute for formal committee meetings, as this would undermine openness and transparency. Like all aspects of the committee's work, a private meeting should be non-political.

As a minimum, there should be a facility for a private meeting once a year, but they should be made available on request. The committee can meet separately with external audit and the head of internal audit, but a joint meeting could also be an option. To support transparency, the chair should report that a private meeting has taken place at the next audit committee meeting and summarise the topics discussed.

If governance concerns are raised with the audit committee in a private meeting, the chair of the audit committee should agree appropriate steps with the auditor. This would normally include follow-up discussions with one or more of the statutory officers.

KEY RELATIONSHIPS

To be effective, an audit committee will need to engage with a wide range of officers. Representatives of finance and internal audit will attend regularly and often are a source of support to the committee, but other senior officers would normally be expected to attend. While it is for each audit committee to determine who attends its meetings, the following examples show the wide range of officers who can add value to audit committee meetings:

- The chief executive and corporate directors for the AGS and other governance-related issues.
- The monitoring officer for the AGS and ethical governance issues.
- The risk management officer for discussions around risk management.
- The head of counter fraud for agenda items on fraud risks and counter fraud activity.
- Service senior managers for audit, risk or governance discussions on their service areas.
- Scrutiny, ethics or standards committee representatives – it may be helpful to invite representatives along to explain their work programme or recent reports.

Interactions with the head of internal audit will need to take account of the professional standards (PSIAS), so that the correct oversight and reporting can be demonstrated.

ACCOUNTABILITY

To those charged with governance

The audit committee should be held to account regularly by those charged with governance – full council or the equivalent body in another authority. Accountability should cover:

- whether the committee has fulfilled its agreed terms of reference
- whether the committee has adopted recommended practice
- whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities
- whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review
- what impact the committee has on the improvement of governance, risk and control arrangements within the authority.

The audit committee annual report

The committee should prepare an annual report that provides assurance to all those charged with governance that it fulfils its purpose and can demonstrate its impact. This is a key output of the committee. The report should be publicly available, supporting the authority's accountability to wider stakeholders, including the public.

Suggested content for the report is set out below.

Alignment of the committee to recommended practice

- The report should briefly outline the extent to which it follows the CIPFA Position Statement in the following areas:
 - The size of the committee.
 - Structure and composition, including the number of independent members.
 - Reporting line and independence from other committees.
 - Whether its terms of reference include all the core functions of the committee.
- Results of the committee's annual evaluation of its effectiveness and assurance over key indicators should be reported. There should be disclosure over areas where the committee has concerns (which could link to the action plan in the AGS) and a statement of what the audit committee has done to escalate their concerns or make recommendations.
- The report should summarise how it has fulfilled its terms of reference and the key issues escalated to the leadership team or other committees during the year.
- The report should summarise the development work that will support the committee members, eg training.

The annual report should be timed to support the annual review of governance and preparation of the AGS. This enables the committee to take stock of the assurances it has received and the extent to which its own performance has contributed to governance arrangements.

The committee should consider how it can improve understanding of its work and raise its profile among other elected members. By improving understanding and engagement, the influence of the committee is likely to grow. **CIPFA has produced a set of frequently asked questions about the work of the committee** that helps communicate its role and the value it brings.

Supporting accountability to the public and stakeholders

The committee has a key role in reviewing the accountability reports of the authority and in helping the authority to discharge its responsibilities. Committee meetings will normally be held in public, except for exempt items, so this also contributes to the accountability of the authority to the public and stakeholders. The audit committee's own annual report will also support accountability to external stakeholders.

A wider group of stakeholders such as partner organisations may have an interest in the committee's work, although there is no direct accountability relationship between them. Holding open meetings and publishing agendas and minutes will support wider communication and transparency.

Supporting internal accountabilities

Through a review of internal and external audit reports, risk management information and other key strategies, the audit committee will hold to account those responsible for implementing recommendations and action plans. In addition, by overseeing the evaluation and improvement of governance, risk management and control, the audit committee helps those responsible for governance to ensure that accountability throughout the authority works well.

The audit committee is most effective in supporting internal accountability when it discusses governance, risk or control issues with the responsible managers directly.

Membership and effectiveness of the audit committee

Choosing elected members for the committee and appointing additional co-opted independent members is an important step in ensuring the committee can carry out its work effectively. This section examines the characteristics needed by members and practical issues. It also considers the importance of evaluating the effectiveness of the committee.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

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COMMITTEE MEMBERSHIP

Elected representatives and political balance

Elected members of local authorities are part of the body charged with governance. Elected members bring knowledge of the organisation, its objectives and policies to the audit committee. Members with experience in scrutiny or standards offer additional knowledge of activity, risks and challenges affecting those areas.

Ideally, the selection of elected members to the audit committee will take account of aptitude and experience. In practice, most authorities have appointed members according to rules on political balance, even though the committee should be non-political. As long as the committee remains an advisory body and not decision making, then full council can waive the political balance requirement. Potentially, this could increase flexibility in the selection of suitable members.

Separation from executive roles

The leader of the cabinet, administration, chair of the policy and resources committee or the elected mayor must not be a member of the audit committee. Care should also be taken where councillors in senior policy-making roles are considered for membership. Where an authority has a cabinet system of governance, including a member of cabinet on the committee is discouraged. If the council has a policy and resources committee, members of this committee should also not sit on the audit committee. In addition, chairs of other policy committees should not be members. This will allow members of the audit committee greater independence in their role and assist in a non-political approach.

If an executive member is included, other compensating arrangements should be made to ensure independence – for example, where there is a majority of independent members or an independent chair of the committee. An executive member should not chair the audit committee.

CIPFA recommends that a period of two years should elapse before a councillor who previously held a senior policy role joins the audit committee.

An overlap with other committee roles such as scrutiny or standards is not necessarily a problem. It can add value by bringing knowledge of activity in these areas into the committee. Those who are members of other committees should take care to not blur their roles.

It is important that there is engagement between those deciding policy matters and the audit committee. This will support audit committee members in staying up to date and help policy makers understand recommendations made by the committee. Examples of engagement could include the members of the executive attending the committee to brief them on the actions they are taking, or the chair of the audit committee attending cabinet or policy and resources to explain audit committee recommendations.

Including co-opted independent members (also known as lay members)

A co-opted independent or lay member is a committee member who is not an elected representative but recruited to join the committee. The objective of including such members is to increase the knowledge and experience base of the committee, reinforcing its independence.

Inclusion of lay members is a legislative requirement for authorities in Wales and for combined authorities in England.

Where there is no requirement to, CIPFA recommends the committee includes two co-opted independent members.

The reasons for CIPFA's recommendation are as follows:

- To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting.
- To provide continuity outside the political cycle. This is of particular importance where membership of the committee changes annually or because of elections.
- To help achieve a non-political focus on governance, risk and control matters.
- Having two co-opted members rather than one will allow recruitment of members with different but complementary knowledge and experience, increase the resilience and continuity of the committee.
- Having two co-opted members shows a commitment to supporting and investing in the committee.

While including co-opted members can bring real value to the committee, care is needed to ensure that the arrangement works well, both for the co-opted member and for the other committee members. It is essential that the co-opted member receives an adequate induction and ongoing support to provide organisational context and to build working relationships.

The role of the co-opted independent member

The role description for a co-opted member of the committee will be the same as for an elected representative who is a committee member. The only substantial difference will be where the committee has been delegated decision-making responsibilities – although such delegations are not advised by CIPFA – a co-opted member cannot vote on council policy, so will not be able to take part in the decision, though they can, of course, contribute to the discussions prior to the formal decision. The minutes of the meeting should distinguish between a delegated committee decision and a recommendation from the committee to another council body. The latter is part of the role of an advisory committee and the co-opted member should be able to take part fully.

Guiding the audit committee contains additional resources to support the planning for and recruitment of independent members.

Remuneration

It is usual practice to provide some form of payment to the lay committee members and to pay expenses for attending meetings. The allowance recognises the value and time contributed by the member. If an independent member is appointed as the committee chair, an additional sum would be appropriate. Elected members of the committee will be paid allowances and expenses in accordance with the authority's agreed arrangements.

Appointment of the chair

In Wales, a lay member will be recruited specifically to the position of chair, and in other parts of the UK, some authorities have decided on a co-opted independent member for the role. This allows the authority to specify the requirements of the chair during recruitment. In other authorities, the appointment of the committee chair will be decided according to the constitution of the authority. In all cases, it is recommended that the characteristics of an effective chair are considered. These include:

- an ability to plan the work of the committee over the year and beyond
- meeting management skills

- an ability to bring an objective, apolitical attitude and help ensure the apolitical nature of the committee
- core knowledge and skills required of audit committee members
- a clear focus on the role of the committee and ambition to lead the committee in line with good governance principles
- a focus on improvement and securing agreement on actions.

The tenure of the audit committee chair remains a matter for the authority. When making this decision, it should be recognised that a period of continuity can be helpful, particularly for the development of greater knowledge and expertise, while rotation also helps to deliver a new perspective.

Knowledge and experience

There is a range of knowledge and experience that audit committee members can bring to the committee that will enable it to perform effectively. No one committee member would be expected to be a specialist in all areas, but there are some core areas of knowledge that committee members will need to acquire.

Appendix C sets out a knowledge and skills framework for audit committee members and the committee chair. This can guide members on their training needs and support the evaluation of the overall knowledge and skills of the committee. It can also be used when recruiting independent members. It distinguishes between core areas of knowledge that all audit committee members should seek to acquire and a range of specialisms that can add value to the committee.

The audit committee should review risks, controls and assurances that cover the entire operation of the authority, so knowledge of specific service areas will be helpful. Other areas of specialist knowledge and experience – for example, in accountancy, audit, governance and risk management – will add value to the committee.

Training and development

Audit committees should have access to support to guide them in their roles, help them to understand the key agenda items, and to keep them informed of new developments. *Guiding the audit committee* includes a suggested training and support programme.

New co-opted members may have technical knowledge and experience, but they will still need to understand the local government context with which they may not be familiar. Support should also be provided to help integrate them into the committee and familiarise them with the council's structure and processes.

Audit committee members should review their knowledge and skills – for example, as part of an annual self-assessment process or training needs analysis. As well as shaping the training plan, evidence of the assessment and delivery of training will support the profile of the committee – for example, by including it in the annual report.

DEVELOPING EFFECTIVENESS

An audit committee's effectiveness should be judged by the contribution it makes to and beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are

essential requirements for delivering effectiveness. The CIPFA Position Statement recommends the committee's annual report should include the results of a performance assessment.

Assessing the effectiveness of the committee should consider the following:

- An assessment of whether the committee is operating in accordance with the practices recommended in this guidance and complies with legislation (where appropriate).
- How the committee has fulfilled its terms of reference, including the core functions of the committee.
- The operation of the committee, including the support and training provided and how members have developed their knowledge and experience.
- The committee's effectiveness in terms of impact on the quality of governance, risk management and internal control, together with satisfactory audit arrangements.
- Feedback from those interacting with the committee.

Feedback to committee members

It is normal practice in other sectors for the chair of the audit committee to provide feedback to individual members. In the political environment of an authority, this is more difficult to do. Consideration should be given to facilitating general feedback as part of a wider committee self-assessment. Suggested areas for discussion include:

- attendance
- participation in discussions and questioning
- any training needs
- suggestions for how the committee could develop.

Appendices to support evaluation

CIPFA has developed some improvement tools for the committee to use to inform its evaluation. These are available in Appendices E and F.

The audit committee should report on its effectiveness in its annual report, and the annual report should be timed to support the AGS. More information on the annual report is available in [Independence and accountability](#).

Problem solving

Where the committee is experiencing difficulties, the improvement tools may help to identify those areas that need change. For a newly constituted committee, or one with several new members, it can take time to build up effective operations. This is one reason why a comprehensive programme of training and support is needed.

Other difficulties can arise if there is a poor understanding of the role and purpose of the committee among others or if there is insufficient engagement.

Appendix D includes a summary of the difficulties that audit committees sometimes experience and suggestions for addressing them.

APPENDIX A

Sector and devolved government guidance

PART 1: COMPARISON OF SECTOR AND DEVOLVED GOVERNMENT REGULATIONS AND GUIDANCE ON KEY AREAS RELATING TO AUDIT COMMITTEES

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
Specific legislation or statutory guidance	<u>Cities and Local Government Devolution Act 2016.</u> <u>Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.</u>	<u>Local Government (Wales) Measure 2011</u> as amended by the <u>Local Government (Democracy) (Wales) Act 2013.</u> <u>Local Government and Elections (Wales) Act 2021.</u>	<u>Financial Management Code of Practice for the Police Forces of England and Wales (FMCP)</u> (Home Office, 2018).	Not applicable
Establishment of an audit committee	Required	Required	Required It is recommended that this should be a combined body for both PCC and chief constable.	No guidance
Composition of the audit committee	Committees must have at least one independent person as defined by guidance. The committee should reflect the political balance of the constituent authorities as far as is reasonably practical. The committee may not include an officer of the combined authority or a constituent council.	The committee must have lay persons comprise one-third of its members. The member appointed as the committee chair must be a lay person. The deputy chair must not be a member of the executive or an assistant to its executive. The committee must be politically balanced.	Police audit committees should comprise between three and five members who are independent of the PCC and the force.	No guidance

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
Specified functions of the audit committee	<p>Review and scrutinise the authority's financial affairs.</p> <p>Review and assess the authority's risk management, internal control and corporate governance arrangements.</p> <p>Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions.</p> <p>Make reports and recommendations to the combined authority.</p>	<p>Review and scrutinise the authority's financial affairs.</p> <p>Make reports and recommendations in relation to the authority's financial affairs.</p> <p>Review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority.</p> <p>Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements.</p> <p>Review and assess the authority's ability to handle complaints effectively.</p> <p>Make reports and recommendations on the authority's ability to handle complaints effectively.</p> <p>Oversee the authority's internal and external audit arrangements.</p> <p>Review the financial statements prepared by the authority.</p>	<p>Consider the internal and external audit reports of both the PCC and the chief constable.</p> <p>Advise the PCC and the chief constable according to good governance principles and adopt appropriate risk management arrangements in accordance with proper practices.</p>	No guidance
Responsibilities of the audit committee in relation to external audit	No guidance	Oversee external audit arrangements.	Review external audit reports.	No guidance

PART 2: GOVERNMENT GUIDANCE BY SECTOR AND DEVOLVED GOVERNMENT ON MATTERS THAT MAY BE INCLUDED IN AUDIT COMMITTEE TERMS OF REFERENCE

Accounts and audit regulations are statutory instruments issued by the UK or devolved governments. The various regulations impose requirements on 'relevant bodies' – eg a local authority, fire and rescue authority or police body – in relation to governance, internal control, financial reporting and internal audit.

The accounts and audit regulations do not specify that these requirements must be met by an audit committee. However, where it is the audit committee of a relevant body that undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.

The following is a link for each sector and/or region and the sets of regulations affecting them, highlighting key regulations. The regulations are subject to periodic updates by the appropriate government body, and audit committee members should be made aware of any changes by their organisation.

Local authorities in England (including combined authorities and fire and rescue authorities)	
Relevant government guidance	<u>Accounts and Audit (England) Regulations 2015</u>
Local authorities in Wales	
Relevant government guidance	<u>Accounts and Audit Regulations (Wales) 2014</u> and the <u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u>
Local authorities in Scotland	
Relevant government guidance	<u>Local Authority Accounts (Scotland) Regulations 2014</u>
Local authorities in Northern Ireland	
Relevant government guidance	<u>Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015</u>
Police in England	
Relevant government guidance	<u>Accounts and Audit (England) Regulations 2015</u> (see also the statutory guidance <u>Financial Management Code of Practice for the Police Forces of England and Wales</u> (FMCP) (Home Office, 2018))
Police in Wales	
Relevant government guidance	<u>Accounts and Audit Regulations (Wales) 2014</u> and the <u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u> (see also the <u>FMCP</u>)

Financial reporting deadlines

Amendments affecting the timetables for financial and governance reporting have been introduced to allow for difficulties caused by the COVID-19 pandemic, and in England, difficulties with local audit. Committee members are advised to check the latest positions.

Suggested terms of reference – local authority

INTRODUCTION

This appendix contains suggested terms of reference for local authorities.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

SUGGESTED TERMS OF REFERENCE – LOCAL AUTHORITIES

Governance

The terms of reference should set out the committee's position in the governance structure of the authority.

Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance [or *insert appropriate governing body*] that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

Governance reporting

- To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Arrangements for audit and assurance

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider additional commissions of work from external audit.

- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).

- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the **CIPFA Position Statement**.

Suggested terms of reference – police

INTRODUCTION

This appendix contains suggested terms of reference for the audit committee of the PCC and chief constable. The police audit committee must ensure that its terms of reference are in accordance with the FMCP (Home Office, 2018) and remain an advisory body.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

SUGGESTED TERMS OF REFERENCE – AUDIT COMMITTEE OF THE PCC AND CHIEF CONSTABLE

Governance

The terms of reference should set out the committee's position as an advisory committee to support the PCC and chief constable.

Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance risk and control gives greater confidence to the PCC and chief constable that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the OPCC and force.

- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
- To consider the OPCC's and force's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the OPCC and force from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

Governance reporting

- To review the AGS prior to approval by the PCC and chief constable and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the OPCC's and force's objectives.

Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statements of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's reports to the PCC and the chief constable on issues arising from the audit of the accounts.

Arrangements for audit and assurance

To consider the OPCC's and force's framework of assurance and ensure that it adequately addresses their risks and priorities.

External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.

- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To advise on commissions of additional work from external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To recommend for approval the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To consider significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to recommend and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the OPCC or force, or where there are concerns about progress with the implementation of agreed actions.

- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).
- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To report to the PCC and chief constable on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to the PCC and chief constable on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

Audit committee members – knowledge and skills framework

CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	<ul style="list-style-type: none"> An overview of the authority's governance structures and decision-making processes. Knowledge of the organisational objectives and major functions of the authority. 	<ul style="list-style-type: none"> This knowledge will be core to most of the audit committee's activities, including the AGS review, internal and external audit reports and risk registers.
Audit committee role and functions	<ul style="list-style-type: none"> An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee. 	<ul style="list-style-type: none"> This knowledge will enable the audit committee to prioritise its work to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others. It will help the committee undertake a self-assessment and prepare its annual report.
Governance	<ul style="list-style-type: none"> Knowledge of the seven principles as outlined in <u>Delivering Good Governance in Local Government: Framework</u> (CIPFA/Solace, 2016). The requirements of the AGS. How the principles of governance are implemented locally as set out in the local code of governance. 	<ul style="list-style-type: none"> The committee will review the local code of governance and consider how governance arrangements align to the principles in the Framework. The committee will plan the assurances it is to receive to adequately support the AGS. The committee will review the AGS and consider how the authority is meeting the principles of good governance. The committee will receive audit reports and information on risks relating to governance.

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Internal audit	<ul style="list-style-type: none"> An awareness of the key principles of the PSIAS and the LGAN. Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter. How the role of the head of internal audit is fulfilled. Details of the most recent external assessment and level of conformance with the standards. Internal audit's strategy, plan and most recent annual opinion. 	<ul style="list-style-type: none"> The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards. The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards. In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed. The audit committee chair is likely to be interviewed as part of the external quality assessment, and the committee will receive the outcome of the assessment and action plan.
Financial management and financial reporting	<ul style="list-style-type: none"> Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. An understanding of good financial management practice as set out in the CIPFA <u>Financial Management Code</u> (FM Code) and the level of compliance with it. Knowledge of how the organisation meets the requirements of the role of the CFO as required by <u>The Role of the Chief Financial Officer in Local Government</u> (CIPFA, 2016) and <u>The Role of CFOs in Policing</u> (2021). An overview of the principal financial risks the authority faces. 	<ul style="list-style-type: none"> Reviewing the financial statements prior to publication, asking questions. Receiving the external audit report and opinion on the financial audit. Reviewing both external and internal audit recommendations relating to financial management and controls. The audit committee should consider compliance with the FM Code and the role of the CFO and how this is met when reviewing the AGS.
External audit	<ul style="list-style-type: none"> Knowledge of the role and functions of the external auditor and who currently undertakes this role. Knowledge of the key reports and assurances that external audit will provide. Familiarity with the auditor's most recent plan and the opinion reports. Knowledge about arrangements for the appointment of auditors and quality management undertaken. 	<ul style="list-style-type: none"> The audit committee will meet with the external auditor regularly and receive their reports and opinions. Monitoring external audit recommendations and maximising the benefit from the audit process. The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Risk management	<ul style="list-style-type: none"> Understanding of the principles of risk management, including how it supports good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members and of the audit committee. Knowledge of the current risk maturity of the organisation and any key areas of improvement. 	<ul style="list-style-type: none"> In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements. Awareness of the major risks the authority faces is necessary to support the review of several audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee. The committee should also review reports and action plans to develop the application of risk management practice.
Counter fraud	<ul style="list-style-type: none"> An understanding of the main areas of fraud and corruption risk that the organisation is exposed to. Knowledge of the principles of good fraud risk management practice in accordance with the <u>Code of Practice on Managing the Risk of Fraud and Corruption</u> (CIPFA, 2014). Knowledge of the organisation's arrangements for tackling fraud. 	<ul style="list-style-type: none"> Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy. An assessment of arrangements should support the AGS, and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.
Values of good governance	<ul style="list-style-type: none"> Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct). Knowledge of the whistleblowing arrangements in the authority. 	<ul style="list-style-type: none"> The audit committee member will draw on this knowledge when reviewing governance issues and the AGS. Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<ul style="list-style-type: none"> <u>Effective Scrutiny of Treasury Management</u> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> regulatory requirements treasury risks the organisation's treasury management strategy the organisation's policies and procedures in relation to treasury management. <p>See also <u>Treasure your assets</u> (Centre for Governance and Scrutiny, 2017).</p>	<ul style="list-style-type: none"> Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.

SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

More specialist knowledge will add value to the committee, helping to ensure the committee is able to achieve a greater depth of understanding. Including members with specialist knowledge means there is an additional resource to support other members. Specialist knowledge may be demonstrated by professional qualification and prior work experience.

When reviewing the overall knowledge of audit committee members or when planning the appointment of co-opted independent members, it is helpful to look for opportunities to include the following specialisms:

- Accountancy, with experience of financial reporting
- Internal auditing
- Risk management
- Governance and legal
- Expert service knowledge relevant for the organisation
- IT systems and security

CORE SKILLS

As well as technical knowledge, the following skills will enhance an audit committee member's aptitude to be on the committee.

Skills	Key elements	How the audit committee member is able to apply the skill
Strategic thinking and understanding of materiality	Able to focus on material issues and the overall position rather than being side tracked by detail.	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail.
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations, challenging performance and seeking explanations while avoiding hostility or grandstanding.	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility.	The audit committee's outcome will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, the audit committee should seek assurances that appropriate action has been taken.
Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	The audit committee should seek assurances that planned actions are practical and realistic.
Clear communication skills and focus on the needs of users	Support the use of plain English in communications, avoiding jargon, acronyms, etc.	The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience.
Objectivity	Evaluate information based on evidence presented, avoiding bias or subjectivity.	The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses, and the committee member will need to weigh up differing views.
Meeting management skills	Chair the meetings effectively: summarise issues raised, ensure all participants can contribute, and focus on the outcome and actions from the meeting.	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.

Problem-solving difficulties with the audit committee

It is not uncommon for audit committees to face difficulties or barriers in fulfilling their potential effectiveness. Some of these may be common issues that audit committees in any sector may face; others may be unique to the local authority or police setting. The following assessment may be of value in helping audit committee members or those supporting the committee to recognise and address the challenges.

Areas of difficulty	Possible causes	Possible improvement options
Lack of experience and continuity of knowledge among audit committee members.	<ul style="list-style-type: none"> Where turnover of membership is very frequent, it will be difficult for the committee to build up experience. 	<ul style="list-style-type: none"> Enhanced level of support and training to members will be required. To enhance continuity, the authority should consider recruitment of independent members.
Audit committee members do not feel confident in their knowledge of particular areas.	<ul style="list-style-type: none"> Lack of training and support. 	<ul style="list-style-type: none"> Enhanced level of support and training to members.
Independent members lack knowledge of the organisation and lack connections with key managers.	<ul style="list-style-type: none"> Poor induction. Limited opportunities to engage with the organisation outside of formal meetings. 	<ul style="list-style-type: none"> Improve induction. Identify appropriate meetings, briefings or other opportunities that independent members could attend to help develop better understanding.
Poor management of audit committee meetings means that work is unfocused or fails to reach a clear conclusion.	<ul style="list-style-type: none"> Lack of experience or skill in managing meetings by the chair. Committee members are unsure about their role. Poor support from the committee secretary. 	<ul style="list-style-type: none"> Training and support. Develop a mentoring/coaching programme. Chair seeks feedback from meeting participants. Consider skills and experience in the selection of the chair. Provide training and guidance to committee members on their role. Improve committee support.
The audit committee spends too much time on minor details rather than underlying arrangements of governance, risk and control.	<ul style="list-style-type: none"> Agenda management fails to prioritise key areas. The chair does not intervene to keep the focus at an appropriate level. 	<ul style="list-style-type: none"> Review the process of agenda development. Review the terms of reference and provide training. The chair seeks feedback from meeting participants. Provide the chair with committee management training.

Areas of difficulty	Possible causes	Possible improvement options
The committee lacks focus, and members struggle to gain an overall understanding of their remit.	<ul style="list-style-type: none"> • Committee members have a range of objectives rather than focusing on governance, risk, control and audit matters. • The committee is too large or lacks continuity because of regular attendance by substitutes. • Infrequent attendance by senior officers. 	<ul style="list-style-type: none"> • Training and emphasis on the non-political and strategic focus of the committee. • Reform of the committee structure to reduce membership and remove use of substitutes.
Senior officers do not understand the work of the committee and are not sighted on its output.	<ul style="list-style-type: none"> • The audit committee fails to engage with other committees in the authority. • Attendance is often limited to the CFO and the head of internal audit. 	<ul style="list-style-type: none"> • Expand attendance at audit committee meetings – for example, invite heads of service when major risks or control issues are being discussed – and share the CIPFA guidance (FAQs) more widely.
Elected representatives not directly involved with the committee have little understanding of its work and do not see its output.	<ul style="list-style-type: none"> • Committee recommendations are not directed to appropriate member bodies. • Reporting arrangements are not effective. • Wider induction arrangements do not cover the audit committee. 	<ul style="list-style-type: none"> • Invite newly elected members to attend audit committee meetings. • Review reporting and accountability arrangements. • Prepare an annual report that sets out how the committee has fulfilled its responsibilities. • Share the CIPFA guidance (FAQs).
Recommendations made by the audit committee are not actioned.	<ul style="list-style-type: none"> • A poor relationship between the committee and the executive or senior officers. • The audit committee's recommendations are not adequately aligned to organisational objectives. 	<ul style="list-style-type: none"> • A senior officer provides internal facilitation to support improved relationships. • Improve knowledge and skills among audit committee members. • Ensure better engagement with appropriate managers or the executive at an earlier stage.
The audit committee fails to make recommendations or follow up on issues of concern.	<ul style="list-style-type: none"> • A weak or inexperienced chair. • Members are inexperienced or do not fully understand their role. • Poor briefing arrangements prior to meetings. • Committee reports fail to adequately identify the action required by the committee. 	<ul style="list-style-type: none"> • Provide guidance and support. • Improve briefing to the chair prior to the meeting. • Ensure reports contain clear recommendations.
The audit committee strays beyond its terms of reference – for example, undertaking a scrutiny role.	<ul style="list-style-type: none"> • The terms of reference do not adequately scope the work of the committee. • Misunderstanding about the role of the committee. • Inadequate guidance from the committee secretary to the chair on its role. 	<ul style="list-style-type: none"> • Review the terms of reference and provide training and guidance.

Areas of difficulty	Possible causes	Possible improvement options
Political points of view interfere with the work of the audit committee.	<ul style="list-style-type: none"> • A lack of understanding about the role of the committee. • Difficulty separating the work of the committee from the wider politics of authority. 	<ul style="list-style-type: none"> • Seek feedback from those interacting with the committee or external assessment. • Provide support or training for the chair. • Consider the role of independent members.
A breakdown in the relationship between committee members and the executive, PCC or chief constable/deputy chief constable, or with senior management.	<ul style="list-style-type: none"> • A lack of understanding about the role of the committee. • Differing perceptions on the value of the committee • Personality clashes. 	<ul style="list-style-type: none"> • Review the terms of reference and provide training and guidance. • A senior officer provides internal facilitation to support improved relationships. • Seek an external assessment or facilitation. • Change the chair or membership if the constitution or opportunity arises.

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Audit committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:					
• compliance with the CIPFA Position Statement 2022	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• results of the annual evaluation, development work undertaken and planned improvements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• how it has fulfilled its terms of reference and the key issues escalated in the year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Functions of the committee					
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk management arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal control arrangements, including:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• financial management					
• value for money					
• ethics and standards					
• counter fraud and corruption					
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?					
• Separation from executive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• A size that is not unwieldy and avoids use of substitutes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18 Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22 Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23 Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subtotal score	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Total score					
Maximum possible score					200**

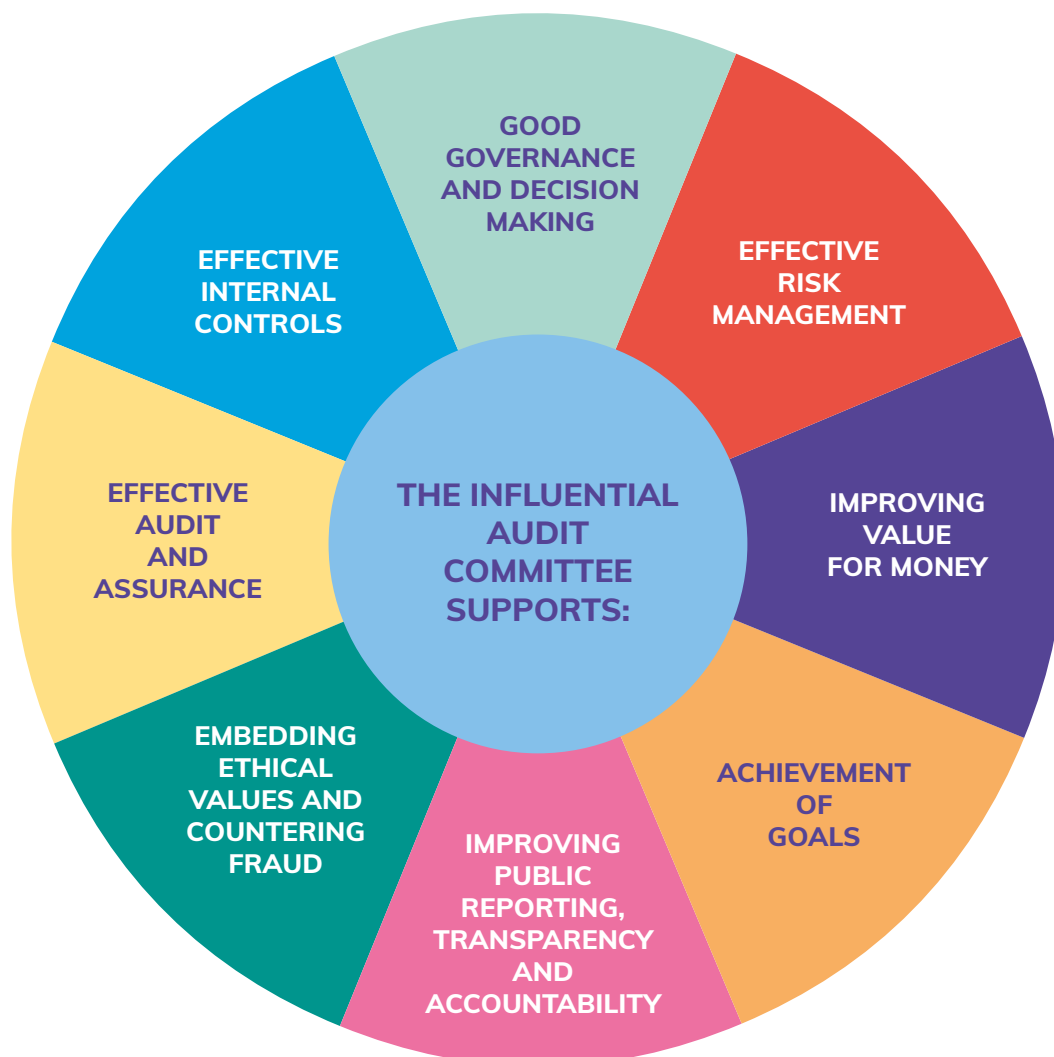
** 40 questions/sub-questions multiplied by five.

Evaluating the impact and effectiveness of the audit committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

The improvement tool below can be used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.

Figure 1: The influential audit committee



The table includes examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

Use the tool for discussion and evaluation of the strengths and weakness of the committee, identifying areas for improvement.

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> Supporting the development of a local code of governance. Providing a robust review of the AGS and the assurances underpinning it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. Local arrangements for governance have been clearly set out in an up-to-date local code. The authority's scrutiny arrangements are forward looking and constructive. Appropriate governance arrangements established for all collaborations and arm's-length arrangements. The head of internal audit's annual opinion on governance is satisfactory (or similar wording). 	
Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> Encouraging ownership of the internal control framework by appropriate managers. Actively monitoring the implementation of recommendations from auditors. Raising significant concerns over controls with appropriate senior managers. 	<ul style="list-style-type: none"> The head of internal audit's annual opinion over internal control is that arrangements are satisfactory. Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified. Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement. 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking. Monitoring improvements to risk management. Reviewing accountability of risk owners for major/ strategic risks. 	<ul style="list-style-type: none"> A robust process for managing risk is evidenced by independent assurance from internal audit or external review. 	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> Reviewing the adequacy of the leadership team's assurance framework. Specifying the committee's assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit. 	<ul style="list-style-type: none"> The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies. 	
Supporting effective external audit, with a focus on high quality and timely audit work.	<ul style="list-style-type: none"> Reviewing and supporting external audit arrangements with focus on independence and quality. Providing good engagement on external audit plans and reports. Supporting the implementation of audit recommendations. 	<ul style="list-style-type: none"> The quality of liaison between external audit and the authority is satisfactory. The auditors deliver in accordance with their audit plan and any amendments are well explained. An audit of high quality is delivered. 	
Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	<ul style="list-style-type: none"> Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. Actively supporting the quality assurance and improvement programme of internal audit. 	<ul style="list-style-type: none"> Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment). The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <u>Statement on the Role of the Head of Internal Audit</u> (2019). 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.	<ul style="list-style-type: none"> • Reviewing how the governance arrangements support the achievement of sustainable outcomes. • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. • Reviewing the effectiveness of performance management arrangements. 	<ul style="list-style-type: none"> • Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. • The authority's arrangements to review and assess performance are satisfactory. 	
Supporting the development of robust arrangements for ensuring value for money.	<ul style="list-style-type: none"> • Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee. • Considering how performance in value for money is evaluated as part of the AGS. • Following up issues raised by external audit in their value-for-money work. 	<ul style="list-style-type: none"> • External audit's assessments of arrangements to support best value are satisfactory. 	
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<ul style="list-style-type: none"> • Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014). • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. • Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	<ul style="list-style-type: none"> • Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements. 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	<ul style="list-style-type: none"> Working with key members/ the PCC and chief constable to improve their understanding of the AGS and their contribution to it. Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. Publishing an annual report from the committee. 	<ul style="list-style-type: none"> The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality. The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion. The authority has published its financial statements and AGS in accordance with statutory guidelines. The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements. 	

OVERALL QUESTIONS TO CONSIDER

- 1 Does the committee proactively seek assurance over the key indicators?
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?

REPORTING RESULTS

The outcome of the review can be used to inform the committee's annual report.



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Audit committees:

practical guidance for
local authorities and police

2022 edition

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The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, major accountancy firms and other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA leads the way in public finance by standing up for sound public financial management and good governance.

Guiding the audit committee

Supplement to the audit
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Introduction

This section is aimed at officers responsible for guiding the audit committee. It will also be a useful reference guide for an audit committee member wanting to develop greater understanding of the committee's role or access additional resources.

It identifies the underpinning legislation, regulations, guidance or resources that the committee should be referencing in its operations.

It is a supplement to the guides *Audit committee member in a local authority* and the *Police audit committee member* and should be read in conjunction with the appropriate guide. It includes information for both authorities and police bodies.

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Core functions of the audit committee

MAINTENANCE OF GOVERNANCE, RISK AND CONTROL ARRANGEMENTS

Good governance

Delivering Good Governance in Local Government: Framework (CIPFA/Solace 2016) is principles based and informs the approach to good governance adopted by police, local authorities and fire and rescue authorities. CIPFA recommends that each authority develops a local code of governance setting out how it applies the principles in practice.

CIPFA's **Financial Management Code** (FM Code) also attributes responsibility for the Framework to the authority's leadership team. This supports the principle of assurance in the FM Code.

Other useful resources for evaluating governance and identifying governance risks include the research resource co-ordinated by the Centre for Governance and Scrutiny, **The governance risk and resilience framework**. This sets out the risks to good governance and can be used as part of the evaluation process for the annual governance statement (AGS) or as part of other governance development work. Further information on the AGS is included in **Accountability and the annual report**.

Where an authority is found to have failed in its statutory obligations to provide best value, the government has the power to intervene. The audit committee is one of the mechanisms an authority should have in place to identify, escalate and oversee the improvement of any governance weaknesses.

In Wales, the **Local Government and Elections (Wales) Act 2021** provides for intervention by Welsh ministers to increase the extent to which a council is meeting the performance requirements.

Key references

Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) ('the Framework') sets the standard for governance in UK local government bodies. The Framework is supported by guidance notes for each sector (CIPFA/Solace, 2016) as follows.

- **Delivering Good Governance in Local Government: Guidance Notes for English Authorities**
- **Delivering Good Governance in Local Government: Guidance Notes for Scottish Authorities**
- **Delivering Good Governance in Local Government: Guidance Notes for Welsh Authorities**
- **Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales**

Accounts and audit regulations (various according to location in the UK)

The governance risk and resilience framework (Centre for Governance and Scrutiny, 2021)

Ethical values

As part of the annual governance review, the audit committee should consider how effectively the **Seven Principles of Public Life** are supported and whether the arrangements in place to achieve Principle A of the governance framework are fit for purpose:

Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.

Authorities have a standards committee to oversee member conduct and review complaints. This is not a function of the audit committee and combining the two committees should be avoided.

The standards framework for elected members in England was established by the **Localism Act 2011**. English local authorities have a statutory duty to promote and maintain high standards of conduct, and the audit committee should consider assurances on the discharge of this responsibility and be satisfied that there are arrangements in place. The Committee on Standards in Public Life last reviewed standards in local government in 2019. The report recommended some amendments to the Act, but in its 2022 response, the Department for Levelling Up, Housing and Communities (DLUHC) did not commit to these. This remains an active topic that the audit committee should be aware of, and it should understand the steps its authority is taking to promote and ensure good ethical arrangements are in place.

The **Public Sector Internal Audit Standards** (PSIAS) include the ethical framework as a specific area of governance for internal audit work.

Whistleblowing arrangements support the development of ethical conduct and greater transparency and help authorities ensure compliance with the **Public Interest Disclosure Act 1998**. As part of the audit committee's oversight of the governance framework and assurances underpinning the AGS, the committee may wish to review the effectiveness of the whistleblowing arrangements.

Useful resources

Upholding Standards in Public Life (Committee on Standards in Public Life, 2021)

Risk management

In determining the audit committee's responsibilities towards risk management, authorities should have regard to the responsibilities of other committees such as scrutiny committees and the specific responsibilities of those charged with governance in relation to risk management. Where a local authority establishes a separate risk committee, then its roles and responsibilities need to be considered in determining the role of the audit committee.

Police audit committees are directed in the **Financial Management Code of Practice for the Police Forces of England and Wales** (FMCP) (Home Office, 2018) to advise the PCC and the chief constable on the adoption of appropriate risk management arrangements.

Welsh local authority and English combined authority audit committees are required to review and assess risk management arrangements.

Internal controls

Internal control arrangements will be informed by service requirements and guidance specific to individual areas.

Financial management

Regarding financial management arrangements, CIPFA's FM Code is a helpful resource to guide and evaluate the adequacy of financial management. The results of the assessment should be shared with the audit committee.

Audit committees in local authorities in Wales and in combined authorities are required to review and scrutinise the authority's financial affairs. Robust arrangements for financial control, understanding financial risks and longer-term financial planning will provide assurance to the committee. The review of financial statements also supports this objective. Care should be taken to not overlap with financial scrutiny. Tasks such as budget monitoring should not be undertaken by the committee.

Value for money and best value arrangements

Making best use of resources is a key objective for all local authorities and is part of the Framework. One of the behaviours and actions that underpin Principle C of the Framework is "delivering defined outcomes on a sustainable basis within the resources that will be available." When the AGS is prepared, the adequacy and effectiveness of arrangements to secure value for money (VfM) should be included, as per CIPFA guidance.

One specific area of activity for the committee will be consideration of the external auditor's wider work, as set out in the codes of audit practice and other guidance adopted by national audit bodies as follows.

- **England:** statutory value for money commentary as defined by the [National Audit Office](#).
- **Scotland:** periodic reviews of best value from [Audit Scotland](#).
- **Wales:** annual improvement reports from [Audit Wales](#).
- **Northern Ireland:** a review of arrangements for the use of resources from [Northern Ireland Audit Office](#).

When the external auditor raises concerns about VfM, the audit committee should ensure there is a robust action plan to address the issues raised. A significant VfM failing is likely to lead to a formal recommendation or report in the public interest. In addition to the work of the auditor, the audit committee should consider what other assurances are available in relation to identified VfM risks and highlight areas for improvement.

The [Cities and Local Government Devolution Act 2016](#) requires the audit committee of a combined authority to review and assess the economy, efficiency and effectiveness of resource use in discharging the authority's functions. By reviewing the adequacy of the authority's arrangements, including aspects such as performance management, financial planning and procurement, the audit committee will be able to report and make recommendations to fulfil this responsibility. Where risks to value for money are identified to the audit committee – for example, through the work of internal audit – those concerns need to be escalated for management action.

Countering fraud and corruption

The audit committee should include counter fraud and corruption within its agenda. This should not be limited to an update to the committee on a significant case of fraud or corruption. The audit committee's responsibility to have oversight of arrangements means that they should be able to judge whether the authority's arrangements are fit for purpose

CIPFA's [Code of Practice on Managing the Risk of Fraud and Corruption](#) (2014) sets out the counter fraud standards for public sector organisations. Sector-specific strategies such as [fighting fraud and corruption locally](#) should also be considered, along with [Integrity matters](#)

(HMICFRS, 2015). The committee should understand the level of fraud risk the authority is exposed to and the implications for the wider control environment.

The audit committee should have oversight of the authority's counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation such as the **Bribery Act 2010**.

The CIPFA guidance on the AGS recommends that the adequacy of counter fraud arrangements is evaluated and reported on in the AGS with reference to the *Code of Practice on Managing the Risk of Fraud and Corruption*. The audit committee should have sight of the assurances underpinning this assessment and can play an important role in supporting the development of effective counter fraud and corruption practice. The audit committee may also refer to the Internal Audit Standards Advisory Board's (IASAB) guidance on **internal audit's role in counter fraud** (2017), which sets out internal audit's responsibility to provide assurance to the organisation on how it manages fraud risk.

Partnership governance, collaborations and subsidiaries

Ensuring that the audit committee has oversight of significant collaboration arrangements or the governance arrangements for the authority's partnerships is important. This is an area of assurance that should be planned as new arrangements are established as well as considered regularly.

Guidance is available in CIPFA publications, including **Successful Collaborations in the Public Services: The Role of Internal Audit** (2021). This highlights some of the governance risks that should be considered in collaborative arrangements, together with the role of internal audit. It highlights the need for the audit committee's oversight of internal audit to extend to their work on collaborations.

CIPFA's **Effective Governance of Collaboration in Policing** (2021) provides an overview of the nature of collaborations in policing and guidance on governance for those arrangements, and other relevant guidance is included in **Principles for section 151 officers working with LEPs** (2018).

Recently, authorities that have the general power of competence have established trading companies to operate more commercial activities, including delivery of services and commercial investments. Some authorities have experienced difficulties with these activities, so the governance, oversight and risk management arrangements in them are likely to be of considerable interest to the audit committee. CIPFA has issued new guidance in 2022 in **Local Authority Owned Companies: A Good Practice Guide**.

In addition to reviewing assurances over partnerships, the committee may choose to develop its own partnership arrangements with the audit committees of partner organisations. This could involve planning and co-ordinating agendas or developing forums to share ideas or briefings. More established partnerships could lead to the development of a shared audit committee between partner authorities or a joint committee.

FINANCIAL AND GOVERNANCE REPORTING

Financial reporting

Local authority financial statements should follow the professional practices set down in the **Code of Practice on Local Authority Accounting in the United Kingdom** (CIPFA/LASAAC). The responsible financial officer is required by statutory provision to sign the statements to confirm that they have been properly prepared and are ready for audit prior to the commencement of the period for the exercise of public rights. These are the unaudited accounts. Currently, deadlines are subject to change because of the COVID-19 pandemic (and because of difficulties resourcing local audit in England). Therefore, it will be important to check the current regulations applicable.

At the time of publication, the latest regulations were as follows.

- In England, **The Accounts and Audit (Amendment) Regulations 2021**. This amends the Accounts and Audit Regulations 2015.
- In Wales, **The Accounts and Audit (Wales) (Amendment) Regulations 2018**. This amends the Accounts and Audit (Wales) Regulations 2014.
- In Scotland, **The Local Authority Accounts (Scotland) Regulations 2014**.
- In Northern Ireland, **The Local Government (Accounts and Audit) (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020**. This amends the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.

Further details about the requirements of the regulations are in Appendix A.

Prior to the current period of disruption, there had been a trend to reduce the elapsed time from the end of the financial year to the publication of audited statements. For example, under the 2015 regulations for English authorities and policing bodies, in practice, the latest date by which the statements would need to be confirmed (by the responsible finance officer) is 31 May, as the 30 working day period for the exercise of public rights must include the first ten days of June. In CIPFA's view, the timely availability of the statements is important for transparency and accountability.

Under the regulations, Scottish and Northern Irish authorities must all ensure that the financial statements are signed off by the chief financial officer (CFO) by 30 June. The Accounts and Audit (Wales) (Amendment) Regulations 2018 require preparation and publication to be completed by 15 June. Authorities have had flexibility to delay due to COVID-19, but deadlines will revert to those specified in regulations at an appropriate point.

CIPFA recommends that it is good practice for the accounts and the AGS to be reviewed by the audit committee prior to the commencement of the external audit. The committee will also review them at the completion of the audit prior to publication. Authorities will formally approve the financial statements after the completion of the external audit.

The date the statements must be published by is set down in government regulations. Prior to COVID-related amendments, the latest date for publication was 31 July for English authorities. Scottish and Welsh authorities must publish by 30 September, and Northern Irish authorities must publish by 31 October. These dates are intended to reflect the target for the completion of the audit. However, meeting the deadline is not a statutory requirement for the auditor; auditors will aim to meet this date, but their primary concern is to complete the audit to the required auditing standard.

The financial statements are the most technical aspect of the audit committee's remit and one that can be daunting for those elected members with no prior experience of financial reporting or

external audit. The differences in financial reporting practice in the accounts can also be daunting for those used to the presentation of company accounts. Additional attention should therefore be paid to this area when evaluating training needs.

Annual governance statements

Legislation requires local authorities, fire and rescue authorities and police bodies to prepare an AGS and to report publicly on the effectiveness of governance and control (see Appendix A for details of the legislative requirements). The AGS should be reviewed and then approved by an authority body prior to being signed by the leading member and the authority's chief executive. Typically, audit committees undertake the role of reviewing the AGS prior to approval.

Statutory and professional guidelines will determine when the AGS goes before the audit committee for review. These are set out in [Financial reporting](#) and in more detail in Appendix A. CIPFA recommends that the AGS is first reviewed by members of the audit committee at an earlier stage to allow comments and contributions to be made. The AGS must be current at the time it is published, so the audit committee should review it before final approval.

When the AGS is taken to the audit committee for review, it provides an opportunity to sense check the content, ensuring it is consistent with other information and is understandable to a lay reader.

The audit committee should be made aware of any updates to guidance on the AGS issued by CIPFA.

In March 2022, CIPFA's Practice Oversight Panel published an [advisory note on governance](#). The note emphasises the importance of ensuring that annual reviews of governance and the AGS are robust. An effective audit committee is one important aspect of ensuring adequate internal challenge.

Other accountability reports

The audit committee may be asked to comment on or review other accountability reports. If this is consistent with the purpose of the committee, then it may be appropriate – for example, if the report included extracts from the financial statements or AGS. It should always be clear whether the committee is being asked to formally endorse any report and consider whether this involves duplication with the work of other committees.

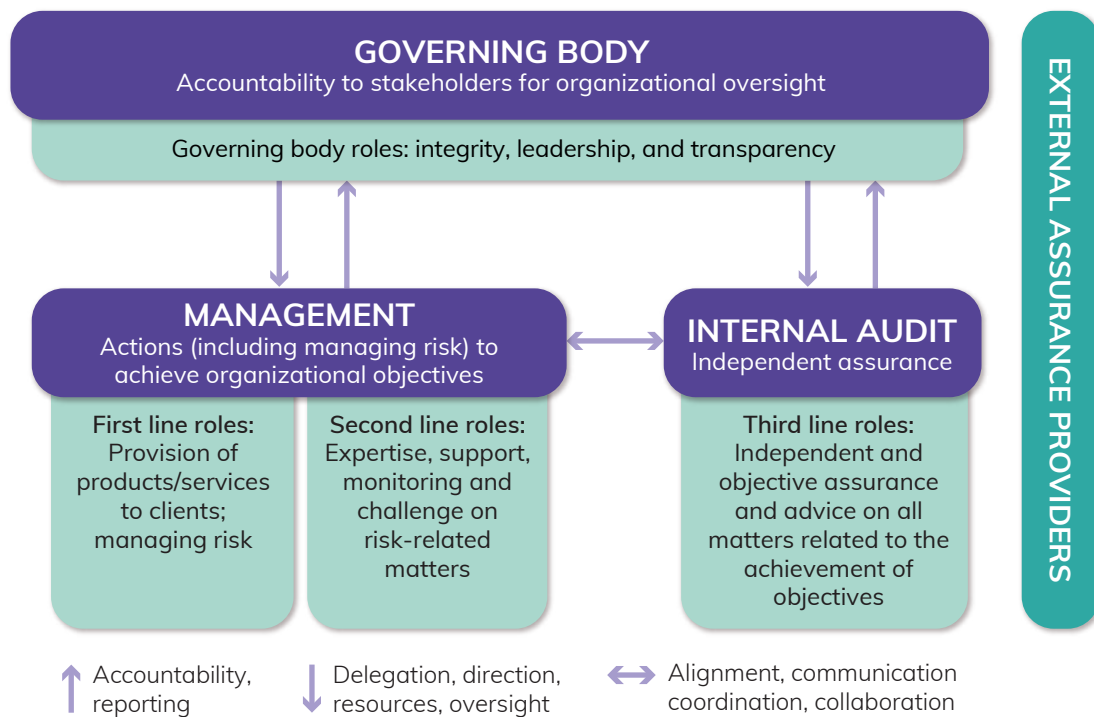
SUPPORTING ARRANGEMENTS FOR AUDIT AND ASSURANCE

Assurance frameworks and assurance planning

The organisation's leadership team should establish arrangements to provide them with assurance. The purpose of assurance is to provide greater certainty over the operation of internal control arrangements and the implementation of policies and decisions. In practice, an organisation will have a range of different means of obtaining assurance, some of which will already be embedded in management arrangements. Taken together, the suite of assurances forms the framework of assurance for the organisation. Some organisations have taken steps to map or summarise their arrangements in diagrammatic or tabular form.

CIPFA is in the process of establishing more detailed guidance for leadership teams on assurance frameworks, including high-level principles to define assurance frameworks. The purpose of this will be to raise awareness of assurance and the different forms it can take. Developing CIPFA guidance will include the [Three Lines Model](#) developed by the Institute of Internal Auditors (IIA).

Figure 1: The IIA's Three Lines Model



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Having a good understanding of different sources of assurance is important:

- for managers and the leadership team, to have confidence in how things work in practice
- for the audit committee, to help them fulfil their responsibilities
- for internal auditors, to inform risk assessments, supplement the direct independent audit work the team undertakes, and to inform the head of internal audit's annual opinion.

As well as understanding the organisation's arrangements for obtaining assurance, the audit committee should ensure that it receives the assurances necessary to support its annual report and to play its part in reviewing the AGS. While internal audit and external audit will be significant contributors to the overall assurance, the committee will need to be proactive in specifying additional areas where assurance is needed.

External audit

Audit committees have a role to play in relation to the appointment of external auditors. This role varies between England, Scotland, Wales and Northern Ireland, primarily due to the change in appointment procedures for English authorities with the closure of the Audit Commission and the introduction of new local audit arrangements under the **Local Audit and Accountability Act 2014**.

In Scotland, Wales and Northern Ireland, national audit agencies are responsible for the audits of local bodies. In England, authorities have the option to appoint auditors themselves via means of an auditor panel (individually or jointly with other bodies) or through Public Sector Audit Appointments (PSAA), which has been established by the Local Government Association (LGA) and specified as an 'appointing person' under the 2014 Act. For further information on auditor panels and the role of the audit committee, see CIPFA's **Guide to Auditor Panels** (2015).

The audit committee's role in appointment is generally to express an opinion on the selection and rotation of the external auditor through whichever method is applicable for the organisation. The audit committee's objective is to support auditor independence and effective arrangements and relationships with the auditors.

In England, for all opted-in bodies, PSAA appoints the auditor following consultation with the body. Otherwise, the audit committee will work alongside the auditor panel, which will oversee the local appointment process. Where the audit committee members meet the requirements of an auditor panel as defined in regulations supporting the 2014 Act, then the committee can operate as an auditor panel itself and make recommendations on the appointment of the local auditor. Regard must be had for the 2014 Act and regulations if the committee is nominated as an auditor panel.

Supporting independence

The independence of auditors is critical for confidence in the audit opinion and audit process. For this reason, there is extensive guidance from the Financial Reporting Council (FRC) for external auditors on the need to safeguard independence and objectivity. These rules apply to all auditors across all sectors. In addition, the national audit bodies issue guidance to auditors on safeguarding integrity, objectivity and independence. It is an important role for an audit committee to help guard against threats to independence and to satisfy itself that the external auditor's independence is safeguarded. The critical issue of independence will be considered when the external auditor is appointed, but the audit committee's role will be to monitor on an annual basis, or more often when required.

Each year, the external auditor will disclose to the committee an assessment of whether it is independent. This disclosure should include any significant facts that could impact, or be seen to impact on, independence and objectivity, together with any safeguards put in place. The audit committee should use this opportunity to discuss with the external auditor their assessment of threats to independence and any safeguards. The table below summarises the potential threats that external auditors need to consider and manage.

Understanding the potential threats to external independence

Self-interest threat

This is where there are, or are perceived to be, financial or other interests that could impact on the actions of the external auditor. The potential fees from provision of non-audit or additional services to the audited body could fall within this category.

Self-review threat

This is where the audit could include a review of work performed or services or advice provided by the same firm or team.

Management threat

This is where the auditor has become involved in or associated with decision making at the audited body.

Advocacy threat

This is where the auditor has taken on an advocacy role for the audited body or supports the management in an adversarial or promotional context.

Familiarity (or trust) threat

This is where familiarity or close personal relationships mean that the external auditor is insufficiently questioning or accepting in forming audit judgements.

Intimidation threat

This is where the conduct of the external auditor is influenced by fear or threats from individuals in the audited body.

Full details of the threats are set out in the [Revised Ethical Standard 2019](#) (FRC).

Receiving and considering the work of external audit

The timetable of external audit work will be shaped by the appropriate Code of Audit Practice under which the audit is being undertaken and the appropriate regulations of the nation.

From time to time, there may be disruption to the routine timetable of audit. For example, the impact of the pandemic and recent difficulties experienced in England by local audit firms have contributed to delays. Where this is the case, the audit committee should actively monitor changes to timetables and audit plans, supporting good communication between the auditor and the authority to manage difficulties in the best possible way. Those officers responsible for liaising with the external auditor should ensure the audit committee is kept informed and any difficulties drawn to their attention at an appropriate stage.

One of the recommendations of the Redmond Review ([Independent review into the oversight of local audit and the transparency of local authority financial reporting](#)) was that the external audit annual report should be submitted to full council by the external auditor. The rationale behind the recommendation was that there were examples where serious issues raised with the audit committee by the external auditor were not then escalated to full council. As all councillors are “charged with governance”, they should be aware of serious issues and the overall results of the audit.

In addition, full council is more visible to the public than the audit committee, so it supports greater transparency. When this recommendation was considered by the stakeholder group advising DLUHC, it was considered important for the audit committee to receive the external auditor’s reports, allowing more in-depth discussion and formulation of recommendations for action in response to issues raised. It suggested that the annual report should be presented to full council in the way suggested by Sir Tony to improve transparency and strengthen the governance response, but it should also be accompanied by a report from the audit committee setting out its suggested response to the report. This was discussed in the technical consultation issued in July 2021 and CIPFA would support this approach.

Although the specific recommendation related to English local authorities, CIPFA would recommend that authorities in the rest of the UK also consider adopting a similar approach, if they do not do so already.

Supporting the quality and effectiveness of the external audit process

The audit committee should support the quality and effectiveness of the external audit process:

- at the planning stage, understanding and commenting on external audit plans, assessment of risks and proposed areas of focus, and deployment of audit effort in response to identified risks
- during the external audit process, including:
 - assessing whether the external auditor has a good understanding of the authority
 - how the external auditor has responded to areas of audit risk
 - actions taken to safeguard independence and objectivity
- at the reporting and finalisation stages:
 - ensuring there is feedback from key people such as the CFO and the head of internal audit on the conduct of the audit
 - supporting the auditor’s annual report to the full council, PCC, chief constable or other body as appropriate on the results of its considerations with the audit committee report.

In monitoring the quality of the external audit provision, the audit committee should be briefed on any relevant issues around quality that emerge from the regulation of external audit – for example, the quality reports from the FRC and contract monitoring reports from PSAA. Links to useful resources are provided at the end of the section.

There should be an opportunity for the audit committee to meet privately and separately with the external auditor, independent of the presence of those officers with whom the auditor must retain a working relationship.

Supporting audit quality

The audit committee should be an advocate for high audit quality. Ensuring that quality is maintained provides confidence in the audit opinion and recommendations. In its interactions with the auditors, the committee should be alert to the culture of the auditor and its regard for quality, its customer focus and how the firm creates a positive audit culture. The FRC's recent report **What Makes a Good Audit?** (2021) highlights the importance of governance and leadership in the audit firm.

Senior leadership must live and drive the right values, ethics and behaviours that support high audit quality throughout the firm. There must be a clear link between remuneration/ promotion and audit quality. Learning from audit inspections (internal and external) must be shared across the audit practice and understood, including the sharing of good practice identified within the firm or from external reviews. There must also be an emphasis on the public interest role of audit. At the larger firms, Independent Non-Executives (INEs) already have an important role to play in holding leadership to account for improving audit quality and for driving an appropriate culture and mindset within audit.

What Makes a Good Audit? (FRC, 2021)

The committee should ask about the auditor's approach to audit quality, including the support and training provided to the team on specialist areas within the scope of the audit. This is a particular consideration in England where audits are undertaken by a firm, as the team may not consist of auditors with extensive local audit experience. It should be noted that the key audit partner must have that experience and knowledge. This was an issue raised by the Redmond Review, and work to improve and support auditors is ongoing. For the firms, achieving improvements in this area is challenging, given wider issues around shortages of appropriate skilled auditors.

The audit committee needs to work with auditors and key officers to ensure that there is a shared understanding of objectives, expectations and outcomes from the audit. It is likely that the committee members will need support and training to improve their knowledge and understanding in this area unless they have had prior experience.

Where there are difficulties in the relationship between auditor and client, the audit committee should seek to support and resolve in an objective way that helps the delivery of a quality and timely audit.

Assessing audit quality

In determining the committee's role in reporting on external audit, CIPFA has taken account of requirements in other sectors. The **UK Corporate Governance Code** (FRC, 2018) expects the audit committee to report annually on its assessment of the independence and effectiveness of external audit. The audit committee annual report should also include a section on external audit. This is addressed in **Independence and accountability**.

The FRC published **Audit Quality: Practice Aid for Audit Committees** in 2019 to help support audit committees. It should be noted that this is not tailored to audit committees in local

government, but some general principles remain relevant for an authority committee. Suggested good practice would be to consider the following areas:

- How the auditor interacts with the audit committee. Examples could include how auditors respond to questions or challenge from the committee and whether communications are open, constructive, informative and regular.
- Evidence from management. For example, the audit committee could ask management for evidence where auditors have challenged judgements and estimates.
- Asking auditors how they have demonstrated professional scepticism.
- Considering how well the auditor has met the agreed audit plan and addressed the risks it has identified.
- The quality of the audit report. For example, is it helpful and does it avoid generic 'boiler plate' content?

The audit committee should also review reports and assessments on their contracted auditor. The national audit bodies publish external reviews of their quality arrangements, and the FRC publishes an annual report of the local audit quality reviews undertaken for each firm. The committee should consider the conclusions on audit quality and areas for improvement and discuss with the auditor if appropriate. In England, PSAA may also publish reviews of interest to the committee on their monitoring of the audit contracts and satisfaction surveys, etc.

References and useful resources

Financial audit quality arrangements (Audit Wales)

Major Local Audits: Audit Quality Inspection (FRC, 2021)

Managing audit quality (PSAA)

Quality of public audit in Scotland annual report 2021/22 (Audit Scotland)

Quality assurance review 2021 executive summary (Northern Ireland Audit Office)

Internal audit

The audit committee has a clear role in relation to oversight of the authority's internal audit function. From 1 April 2013, internal auditors throughout local and central government and health have had to follow the PSIAS, and for local government bodies, the **Local Government Application Note (LGAN) for the UK PSIAS** (CIPFA, 2019). All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015, the Accounts and Audit (Wales) Regulations 2014, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 must make provision for internal audit in accordance with the PSIAS and LGAN.

The PSIAS include the mission of internal audit, code of ethics, definition of internal auditing and the core principles for the professional practice of internal auditing, and together these highlight the importance of effective internal audit to those in the organisation who are responsible for governance.

In its adoption of the PSIAS and LGAN, each authority should consider which committee or individual is the most appropriate to fulfil the role of the board in relation to internal audit. In determining the functional reporting arrangements of internal audit, the authority will need to bear in mind the need to preserve the independence and objectivity of internal audit as required by the PSIAS. It is for these reasons that in the LGAN, CIPFA expressed an expectation that the audit committee would fulfil the role of the board usually.

The role of the audit committee in relation to internal audit is to:

- oversee its independence, objectivity, performance and professionalism
- support the effectiveness of the internal audit process
- promote the effective use of internal audit within the assurance framework.

Those audit committees that operate under the Local Authority Accounts (Scotland) Regulations 2014 and the Accounts and Audit (Wales) Regulations 2014 must conduct a review of the effectiveness of their internal audit annually (Appendix A includes details of the relevant regulations). The audit committee should consider internal audit's quality assurance and improvement programme (QAIP) when conducting such a review.

The **CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations** (2019) states that engagement between the head of internal audit and the audit committee is a crucial component of delivering an effective internal audit service. For the head of internal audit to operate an effective internal audit arrangement, the authority has a responsibility to ensure that they can operate effectively and perform their core duties. This responsibility exists regardless of the method of delivery of internal audit, whether in-house, outsourced or through some form of shared arrangement. The audit committee plays an important role in supporting the effectiveness of those arrangements in accordance with the CIPFA statement.

The committee should develop sufficient understanding of the effectiveness of internal audit and its adherence to professional standards. While helping to ensure that the right organisational arrangements are in place to support the internal audit service, the committee should also hold internal audit to account for the following:

- Conformance with professional standards.
- Effective management of resources.
- Focus on risks and assurance needs.
- Delivery of required outputs.
- Impact.

In 2022, CIPFA published **Internal audit: untapped potential** – a research report examining how internal audit supports public sector organisations and opportunities for the future. It features the results of an extensive survey that included management clients and audit committee members, as well as internal auditors. Included within are recommended topics that audit committee members should consider and discuss with their head of internal audit to help ensure that their organisation is getting the best out of internal audit.

Guiding the audit committee – wider functions

WIDENING THE WORK OF THE COMMITTEE

This chapter sets out relevant guidance where additional responsibilities are brought within the scope of the committee. The scope should not be extended so broadly that the committee effectively becomes a joint committee with other priorities. The areas covered in the guidance are relevant as a result of legislation or other standards.

WALES

Governance and audit committees in Wales will need to have regard to the Local Government and Elections Wales Act 2021 in agreeing their terms of reference and conducting business.

The significant difference is the requirement to review the draft self-assessment or panel assessment report and make recommendations. The performance assessments are a new requirement introduced by the 2021 Act. Statutory guidance has been produced in [Performance and governance of principal councils](#) (2021).

In undertaking this role, CIPFA recommends distinguishing between the committee and the performance monitoring that scrutiny committees will have undertaken, which will be a contributory part of the self-assessment.

To enable the committee to perform its role effectively, members will need to be briefed on the requirements of the Act and supporting statutory guidance.

TREASURY MANAGEMENT

CIPFA's [Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes](#) (2021) requires all local authorities to adopt four clauses defining responsibilities for treasury management.

It is possible for the audit committee to be nominated to undertake the scrutiny role.

This organisation nominates (name of responsible body/committee) to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Where the audit committee has been nominated, it should be aware that it needs to undertake a scrutiny role in accordance with the Treasury Management Code, in addition to any oversight of governance, risks and assurance matters relating to treasury management that it would consider as an audit committee. It is not appropriate for the audit committee to undertake any of the other roles outlined in the Treasury Management Code clauses, as these are executive and decision-making roles rather than a scrutiny role.

Treasury management is a specialist area, so it is likely that committee members will require training, guidance and support when undertaking scrutiny. Specific areas of knowledge and skills are identified in Appendix C, and these can be used to support a training needs assessment and to plan development.

SUPPORTING CORPORATE IMPROVEMENT PROGRAMMES

Where an authority has undergone an external inspection, peer review or other intervention, an improvement programme will be developed. It will be important for the audit committee to play its part in supporting the effective implementation of agreed actions.

The primary role of the committee is to receive assurances that implementation of the programme is on track. The programme will have links to external audit reports, future audit risk assessments and the AGS, so it is important that the committee is aware of the overall progress. A significant programme may have a dedicated board that can provide an update to the committee to fulfil its assurance needs.

There may be aspects of the programme that directly link to the work of the committee – for example, the adequacy of financial management arrangements or internal audit. In such cases, the committee may be more actively involved in monitoring progress.

Independence and accountability

INTRODUCTION

CIPFA is keen that each local authority or police body adopts an audit committee model that achieves its purpose and functions successfully. CIPFA's recommended best practice is intended to support the development of effective arrangements and should not be regarded merely as a compliance checklist.

For a local authority, in CIPFA's view, it is best practice for the audit committee to report directly to council rather than to another committee, as the council itself most closely matches the body of 'those charged with governance.' In the police sector, both the PCC and chief constable are separate corporations sole, so each will fulfil the role of 'those charged with governance.'

In establishing the audit committee within the governance structure of the authority, three key elements should be considered:

- Any statutory guidance applicable to the sector.
- Independence from the executive and political allegiances.
- How the structure of the committee can support its effective operation.

Each of these elements is considered in more detail in the following sections.

SECTOR AND DEVOLVED GOVERNMENT GUIDANCE

The local authority and police sectors are subject to differing laws and regulations according to both sector and devolved national governments. Those affecting audit committees are set out in Appendix A. While there is broad similarity in the guidance across the UK, there are differences because of specific statutory guidance and regulations, including:

- statutory requirements for audit committees in Wales
- statutory requirements for combined authorities to establish an audit committee
- statutory guidance underpinning the operation of police audit committees in England and Wales.

Audit committees in Wales have a clear statutory role established by the **Local Government (Wales) Measure 2011** and updated in the **Local Government and Elections (Wales) Act 2021**. The Welsh Government has provided statutory guidance on the implementation of the measure's requirements, and local authorities in Wales must have regard to this guidance.

The Cities and Local Government Devolution Act 2016 requires combined authorities to establish an audit committee where at least one member must be appointed as an independent member.

The Home Office's **Financial Management Code of Practice for the Police Forces of England and Wales** (the FMCP) (2018) requires PCCs and chief constables to establish an independent audit committee. This is an advisory committee to both the PCC and the chief constable, both of whom are established as a corporation sole.

The **Policing and Crime Act 2017** enables a PCC in England (following local consultation and approval from the secretary of state) to take on the governance of their local fire and rescue service(s) to become a PCC fire and rescue authority (PCC FRA). The 2018 edition of the FMCP includes guidance concerning audit committees in this event.

Those supporting audit committees should be aware of other regulations, including the appropriate accounts and audit regulations for England, Scotland, Wales and Northern Ireland. These regulate functions such as internal audit and the timing of the AGS review and the accounts. These functions should be undertaken by the audit committee, and the committee should have regard to the regulations.

STRUCTURE AND INDEPENDENCE

Ensuring a dedicated audit committee

In some local authorities, the audit committee has been combined with other committees. CIPFA recommends that the audit committee should have no other functions, and explicitly no decision-making role. The most common combinations adopted by authorities have been an audit and scrutiny committee or audit and standards committee. CIPFA recommends these are separated.

Sometimes the audit committee is given a different title, such as 'governance and audit' or 'audit and risk' committee. This would not be a problem if the terms of reference are consistent with the **CIPFA Position Statement**. Care should be taken to not delegate additional responsibilities that conflict with or dilute the audit committee focus.

The Centre for Governance and Scrutiny published **Audit committees and scrutiny committees: working together** (2021) to help understand the difference between scrutiny and audit committees. CIPFA contributed to the resource to help ensure it was consistent with its 2018 guidance on audit committees. It helps scrutiny members understand how the audit committee role is different but complementary and identifies opportunities for the committees to work constructively together.

Committee size

Police audit committees should follow the FMCP guidance on a committee size of three to five members. In determining size, consider the quorum for meetings, as three allows little flexibility for meeting quorum at every scheduled meeting.

The sections on **Membership** and **Accountability** cover the composition of the committee between elected members and co-opted independents in an authority.

Committee size and composition are subject to legislation in some local authorities but not all.

Appendix A sets out the legislation for Wales and combined authorities in England.

In sectors outside local government, it is typical for audit committees to have fewer than six members. Among local authorities, there is a range of practice, including some committees that exceed ten members. In the sector, it can be harder to achieve the depth of knowledge and experience that is desirable with a small number, but equally it can be difficult to provide training and development for a large group.

CIPFA's recommendation is that a committee size of no more than eight members should be established. This allows sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.

CIPFA also recommends that the use of substitutes on the committee is avoided. Substitute members are less likely to have received relevant training. It also disrupts the continuity of the committee, where committee members can build on information received in previous meetings. We have found that where committee members are regularly substituted, it is an indication of lack of engagement with the committee's purpose and agenda.

Audit committees for collaborations

Where an authority has a significant level of joint or collaborative working, there may be some value in considering the constitution of a shared audit committee. This will be particularly appropriate if there is a shared management team and single functions for finance, audit and risk management. There will need to be a formal agreement that sets out how the balance of representation between the partners will be decided, reporting lines and how the chair will be selected.

Delegated decision making and voting rights

Currently, some authorities have delegated decisions such as the approval of the financial statements to the audit committee. This takes the audit committee beyond its advisory role. It also means that authorities will need to have regard to Section 13 of the **Local Government and Housing Act 1989**, which relates to the voting rights of non-elected committee members. Independent members cannot vote on matters for decision, whereas making recommendations to another decision-making body would not be impacted.

CIPFA recommends that the audit committee remains an advisory committee and does not have delegated powers.

ADMINISTRATIVE AND OPERATIONAL ARRANGEMENTS

In planning the number and timing of meetings and the committee agendas, key dates in the reporting and audit cycle will be important. In addition, the need for the committee to meet the expectations of auditing standards (both internal and external audit) in providing appropriate oversight will mean space on agendas should be found for these topics.

The CIPFA *Statement on the Role of the Head of Internal Audit in Public Service Organisations* (2019) emphasises the importance of organisational support for the role, including direct reporting lines to the audit committee and good engagement between the committee and head of internal audit. Providing the facility for private meetings between the head of internal audit and the audit committee will signal the importance of maintaining the independence of internal audit.

While private meetings between the committee and internal and external audit help to build a trusted relationship, those concerned should always make sure that the meeting is not used as a substitute for escalating governance concerns with responsible officers. The private meeting should always be in accordance with other principles of good practice – non-political and supporting transparent and accountable good governance.

Ensuring there is good support for the committee in agenda planning, minute taking, guidance and communications will help to build member confidence in the committee.

Providing a protocol about access to information that includes provision for co-opted independents will help to ensure clarity for both the committee members and officers. Members need to be confident that they have sight of relevant information in a timely way. There may be operational reasons why information is not immediately available or has to be treated in confidence, but it is important to explain this adequately.

ACCOUNTABILITY AND THE ANNUAL REPORT

CIPFA has recommended that the audit committee should produce an annual report since the 2013 edition of this guidance. In this latest edition, the annual report is given greater prominence and has been included in the Position Statement. The report should be used to provide accountability to those charged with governance on compliance with the Position Statement and performance and provide assurance over the areas within its terms of reference.

The timing of the report will need to take account of whether there will be changes in committee membership – for example, because of elections or rotation of committee members at annual meetings. The conclusions of the report can support the AGS.

It is for the committee chair to prepare the annual report in consultation with the members, although some support may be required to check accuracy or provide supporting information. Developing the report will ensure the committee is better placed for any future policy developments that might expect more from accountability disclosures.

Membership and effectiveness

COMPOSITION AND OPERATION OF THE COMMITTEE

The composition of the committee will be one of the key factors in achieving a good audit committee. Some local government bodies will need to follow specific rules on composition. These are referenced below.

The composition of the audit committee for Welsh local authorities is determined by the Local Government and Elections (Wales) Act 2021, which requires local authority audit committees to have one-third lay members and a lay member as chair. The 2021 Act amended the Local Government Measure 2011, which established that only one of the committee's members may be from the council's executive, and this must not be the leader or the elected mayor.

Combined authorities in England are required to establish an audit committee by the Cities and Local Government Devolution Act 2016. The Act and the subsequent **Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017** require combined authority audit committees to include at least one independent member. The definition of independent is set out in Part 4 of the Order.

The FMCP determined that audit committees in policing must be composed solely of independent members.

POLITICAL BALANCE

One factor that is important for the success of the committee is ensuring a non-political approach to meetings and discussions. Any audit committee that is a properly constituted committee of a local authority will need to abide by the rules concerning political balance, as outlined in Section 15 of the Local Government and Housing Act 1989. When establishing a joint audit committee, the political balance of both authorities will need to be considered.

The **Local Government (Democracy) (Wales) Act 2013** inserted a requirement into the 2011 Measure for the audit committee to be politically balanced. This has not changed as a result of the 2021 Act.

The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 requires the audit committee to be politically balanced, taking into account the constituent councils.

Where the committee is strictly advisory and not subject to other requirements, full council can vote to waive the political balance requirement and specify other criteria to decide who should serve on the committee. For example, the selection of members with relevant knowledge and expertise could be prioritised.

The length of tenure of an elected representative on the committee will be influenced by the need to maintain political balance (if applicable) as well as other factors. In principle, establishing continuity on the committee is helpful to make the best of knowledge and experience. Some

rotation is also helpful to bring in a new perspective. CIPFA would suggest that two full terms on the committee would be a reasonable maximum.

APPOINTING THE CHAIR OF THE COMMITTEE

Unless there is specific legislation or guidance in place on the selection of the committee chair, authorities can determine their own approach. To try and emphasise the independence and apolitical nature of the committee, some authorities specify that the position should be occupied by an 'opposition' member. This approach may be appropriate for some but will not be possible for all authorities – for example, where there are few opposition members.

CO-OPTED INDEPENDENTS

Definition of a co-opted independent or lay member

There are some definitions set out in legislation for some audit committees but not all.

The Local Government and Elections (Wales) Act 2021 defines a lay member as a person who:

- is not a member or an officer of any local authority
- has not been a member or an officer of any local authority in the last 12 months
- is not the spouse or civil partner of a member or officer.

Co-opted independent members of audit committees for combined authorities should be in accordance with the 2017 Order as follows.

- Not a member, co-opted member or officer of the authority.
- Not a member, co-opted member or officer of a parish council in the area of the principal authority.
- Not a relative or close friend of one of the above.
- Not a member, co-opted member or officer of the authority or parish council in the last five years.

There are no statutory definitions of 'independent' for audit committee members in local authorities in England, Scotland or Northern Ireland.

The independent members of the police audit committees in England and Wales must all be independent of the PCC and the force. The FMCP does not define this any further.

Where there is no established definition, authorities are recommended to establish their own policy before commencing recruitment. This will provide clarity to potential candidates and support the independence of the committee. CIPFA would suggest alignment to the combined authority requirements as the basis for a suitable policy.

As long as any requirements are met, it is possible for an individual to be a co-opted member of more than one local government body.

MAKING BEST USE OF INDEPENDENT MEMBERS

There are some potential pitfalls to the use of independent members that should also be borne in mind.

- Over-reliance on the independent members by other committee members in local authorities can lead to a lack of engagement across the full committee.
- A lack of organisational knowledge or 'context' among the independent members when considering risk registers or audit reports.
- Both independent members and officers/staff must try to establish an effective working relationship and appropriate protocols for briefings and access to information.

These factors should be considered when developing the committee structure and plans put in place to provide an appropriate level of support to the audit committee member.

Role descriptions for co-opted independent members

Where the authority is recruiting members to co-opt onto the audit committee, a clear role description should be established. The following areas should be addressed:

- The role of the co-opted independent, including expected time commitment and location of meetings.
- The suggested appointment period and options for renewal (two terms would be a suggested maximum appointment period).
- The definition of 'independent' applicable to the role.
- Any restrictions or conflicts of interest that would make a candidate unsuitable. As the role is non-political and requires working with elected representatives in a local authority, it is recommended that candidates should not be political party members.
- Vetting requirements (particularly for police committee members).
- Desired knowledge, experience and skills.
- Remuneration and expenses.
- The expected conditions of engagement, including adherence to the authority's code of conduct, disclosure of interests, etc.

Consideration should also be given to attracting suitable candidates. While it is up to each authority to decide, authorities may want to consider the following:

- Selecting candidates beyond the local area. If candidates are able and willing to travel to attend the required meetings and supporting activities, then living outside the authority area should not be a barrier to suitability.
- Working with other authorities in the region to promote and support opportunities to be an independent member.
- Advertising nationally or using specialist agencies if professional knowledge and skills are required.
- Promoting the role through means in addition to advertising. For example, a change to the constitution of the audit committee could be part of a wider governance improvement programme that could be publicised locally or through council channels of communication.
- Council orientation and support that will be provided in the role.

- The opportunity for an informal discussion on the role with a senior officer or committee chair.
- Ensuring an easy application process (see below).

Under the combined authorities order, the vacancy must be publicly advertised.

Selection process

The authority's HR team will be able to advise on the process for recruitment. Normal practice in recruitment for non-executive roles such as this will be a CV and supporting letter, and adopting this approach may assist in attracting candidates. This may be a deviation from the process of recruiting a member of staff, however, so early discussion with HR is advised.

The format of selection is for the authority to decide, but inclusion of the current committee chair in some way would be helpful for the candidate.

As well as a formal interview, candidates could be invited to meet the PCC, chief constable or deputy chief constable, senior councillors or officers to emphasise the value of the committee.

Supporting members of the committee

Establishing a training programme and ongoing support for committee members is essential to ensure that they can confidently and effectively discharge their responsibilities. Establishing a budget will ensure that training can be ongoing rather than ad hoc.

Exact needs will depend on the composition of the committee and members' existing knowledge and experience. The following table sets out the core elements.

Development area	Core content	Target audience
Induction – the authority	<p>Introduction to the authority, including:</p> <ul style="list-style-type: none"> • governance structures • plans, strategies and priorities of the authority • local government context. 	Primarily for co-opted independent members who are new to local government/police.
Induction – the audit committee	<ul style="list-style-type: none"> • Terms of reference. • CIPFA Position Statement and guidance. • Key relationships – CFO, head of internal audit, external auditor, committee support. 	All members new to the committee.
Core knowledge areas	<p>Basic knowledge for all areas outlined in the knowledge framework.</p> <ul style="list-style-type: none"> • Good governance and ethical framework • Risk management • Internal controls • Financial management • Value for money • Counter fraud and corruption • Partnerships and collaborations • Assurance framework • Financial reporting • Annual governance statement • Internal audit • External audit • Treasury management (where applicable) • Performance assessment (Wales) (where applicable) 	All members of the committee, tailored appropriately to existing knowledge.
Briefings and guidance	<p>Targeted support for members on:</p> <ul style="list-style-type: none"> • aspects where members need additional support, eg guidance on understanding the financial statements • the development of more in-depth knowledge and understanding • ad hoc briefings on new developments in the sector (for example CIPFA’s audit committee update resource, horizon scanning updates from external auditors, etc) • updates on new developments or changes at the authority. 	<p>All members.</p> <p>Co-opted independent members.</p>
Webinars, training and networking events	<ul style="list-style-type: none"> • Attending relevant webinars or events to develop more in-depth knowledge or updates. • Networking and sharing with audit committee members in other authorities to learn from others and build a network of support. • A range of formal events and webinars are available from a range of providers, eg regional forums. 	Chairs and all members

Training needs analysis

It is helpful to undertake an analysis of training needs to identify which areas should be prioritised for training and support. Some of the core areas involve technical standards and are complex – for example, financial reporting, audit quality and treasury management. These will need regular attention to maintain committee effectiveness.

The knowledge framework can help with a training needs analysis. It can be done at any point, but the annual assessment should reflect on whether the analysis is up to date and the planned programme of support sufficient to address the priority areas.

Impact and effectiveness

To develop the committee and provide assurance via the annual report, it is recommended that the committee is supported in a self-assessment. Alternatively, an independent review can be undertaken.

The appendices provide resources to support self-assessment and to encourage reflection on the impact that the committee has.

CIPFA has identified key indicators to inform the performance review of the audit committee. These indicators are all aspects of governance, risk, control and audit that are within the audit committee's scope of influence. While they are not solely within the control of the audit committee, weakness in these areas could indicate that the audit committee is failing to have sufficient impact.

Problem solving

Where self-assessment indicates problems, or where those interacting with the committee report it to be under-performing, swift diagnosis and action should be planned. Appendix D highlights some areas of difficulty the committee might experience. Usually, problems arise because of misapprehension of the committee's role or inadequate training or support. Occasionally, behaviours from individual members can also contribute. These issues may be more difficult to resolve, especially if they are symptomatic of wider governance problems in the authority.

Significant weakness in the audit committee is likely to be highlighted by the external auditor as part of their governance review or as part of a peer review.

APPENDIX A

Sector and devolved government guidance

PART 1: COMPARISON OF SECTOR AND DEVOLVED GOVERNMENT REGULATIONS AND GUIDANCE ON KEY AREAS RELATING TO AUDIT COMMITTEES

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
Specific legislation or statutory guidance	<u>Cities and Local Government Devolution Act 2016.</u> <u>Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.</u>	<u>Local Government (Wales) Measure 2011</u> as amended by the <u>Local Government (Democracy) (Wales) Act 2013.</u> <u>Local Government and Elections (Wales) Act 2021.</u>	<u>Financial Management Code of Practice for the Police Forces of England and Wales (FMCP)</u> (Home Office, 2018).	Not applicable
Establishment of an audit committee	Required	Required	Required It is recommended that this should be a combined body for both PCC and chief constable.	No guidance
Composition of the audit committee	Committees must have at least one independent person as defined by guidance. The committee should reflect the political balance of the constituent authorities as far as is reasonably practical. The committee may not include an officer of the combined authority or a constituent council.	The committee must have lay persons comprise one-third of its members. The member appointed as the committee chair must be a lay person. The deputy chair must not be a member of the executive or an assistant to its executive. The committee must be politically balanced.	Police audit committees should comprise between three and five members who are independent of the PCC and the force.	No guidance

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
Specified functions of the audit committee	<p>Review and scrutinise the authority's financial affairs.</p> <p>Review and assess the authority's risk management, internal control and corporate governance arrangements.</p> <p>Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions.</p> <p>Make reports and recommendations to the combined authority.</p>	<p>Review and scrutinise the authority's financial affairs.</p> <p>Make reports and recommendations in relation to the authority's financial affairs.</p> <p>Review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority.</p> <p>Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements.</p> <p>Review and assess the authority's ability to handle complaints effectively.</p> <p>Make reports and recommendations on the authority's ability to handle complaints effectively.</p> <p>Oversee the authority's internal and external audit arrangements.</p> <p>Review the financial statements prepared by the authority.</p>	<p>Consider the internal and external audit reports of both the PCC and the chief constable.</p> <p>Advise the PCC and the chief constable according to good governance principles and adopt appropriate risk management arrangements in accordance with proper practices.</p>	No guidance
Responsibilities of the audit committee in relation to external audit	No guidance	Oversee external audit arrangements.	Review external audit reports.	No guidance

PART 2: GOVERNMENT GUIDANCE BY SECTOR AND DEVOLVED GOVERNMENT ON MATTERS THAT MAY BE INCLUDED IN AUDIT COMMITTEE TERMS OF REFERENCE

Accounts and audit regulations are statutory instruments issued by the UK or devolved governments. The various regulations impose requirements on 'relevant bodies' – eg a local authority, fire and rescue authority or police body – in relation to governance, internal control, financial reporting and internal audit.

The accounts and audit regulations do not specify that these requirements must be met by an audit committee. However, where it is the audit committee of a relevant body that undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.

The following is a link for each sector and/or region and the sets of regulations affecting them, highlighting key regulations. The regulations are subject to periodic updates by the appropriate government body, and audit committee members should be made aware of any changes by their organisation.

Local authorities in England (including combined authorities and fire and rescue authorities)	
Relevant government guidance	<u>Accounts and Audit (England) Regulations 2015</u>
Local authorities in Wales	
Relevant government guidance	<u>Accounts and Audit Regulations (Wales) 2014</u> and the <u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u>
Local authorities in Scotland	
Relevant government guidance	<u>Local Authority Accounts (Scotland) Regulations 2014</u>
Local authorities in Northern Ireland	
Relevant government guidance	<u>Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015</u>
Police in England	
Relevant government guidance	<u>Accounts and Audit (England) Regulations 2015</u> (see also the statutory guidance <u>Financial Management Code of Practice for the Police Forces of England and Wales</u> (FMCP) (Home Office, 2018))
Police in Wales	
Relevant government guidance	<u>Accounts and Audit Regulations (Wales) 2014</u> and the <u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u> (see also the <u>FMCP</u>)

Financial reporting deadlines

Amendments affecting the timetables for financial and governance reporting have been introduced to allow for difficulties caused by the COVID-19 pandemic, and in England, difficulties with local audit. Committee members are advised to check the latest positions.

Suggested terms of reference – local authority

INTRODUCTION

This appendix contains suggested terms of reference for local authorities.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

SUGGESTED TERMS OF REFERENCE – LOCAL AUTHORITIES

Governance

The terms of reference should set out the committee's position in the governance structure of the authority.

Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance [or *insert appropriate governing body*] that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

Governance reporting

- To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Arrangements for audit and assurance

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider additional commissions of work from external audit.

- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).

- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the **CIPFA Position Statement**.

Suggested terms of reference – police

INTRODUCTION

This appendix contains suggested terms of reference for the audit committee of the PCC and chief constable. The police audit committee must ensure that its terms of reference are in accordance with the FMCP (Home Office, 2018) and remain an advisory body.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

SUGGESTED TERMS OF REFERENCE – AUDIT COMMITTEE OF THE PCC AND CHIEF CONSTABLE

Governance

The terms of reference should set out the committee's position as an advisory committee to support the PCC and chief constable.

Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance risk and control gives greater confidence to the PCC and chief constable that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the OPCC and force.

- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the OPCC's and force's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the OPCC and force from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

Governance reporting

- To review the AGS prior to approval by the PCC and chief constable and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the OPCC's and force's objectives.

Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statements of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's reports to the PCC and the chief constable on issues arising from the audit of the accounts.

Arrangements for audit and assurance

To consider the OPCC's and force's framework of assurance and ensure that it adequately addresses their risks and priorities.

External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.

- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To advise on commissions of additional work from external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To recommend for approval the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To consider significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to recommend and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the OPCC or force, or where there are concerns about progress with the implementation of agreed actions.

- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).
- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To report to the PCC and chief constable on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to the PCC and chief constable on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

Audit committee members – knowledge and skills framework

CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	<ul style="list-style-type: none"> An overview of the authority's governance structures and decision-making processes. Knowledge of the organisational objectives and major functions of the authority. 	<ul style="list-style-type: none"> This knowledge will be core to most of the audit committee's activities, including the AGS review, internal and external audit reports and risk registers.
Audit committee role and functions	<ul style="list-style-type: none"> An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee. 	<ul style="list-style-type: none"> This knowledge will enable the audit committee to prioritise its work to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others. It will help the committee undertake a self-assessment and prepare its annual report.
Governance	<ul style="list-style-type: none"> Knowledge of the seven principles as outlined in <u>Delivering Good Governance in Local Government: Framework</u> (CIPFA/Solace, 2016). The requirements of the AGS. How the principles of governance are implemented locally as set out in the local code of governance. 	<ul style="list-style-type: none"> The committee will review the local code of governance and consider how governance arrangements align to the principles in the Framework. The committee will plan the assurances it is to receive to adequately support the AGS. The committee will review the AGS and consider how the authority is meeting the principles of good governance. The committee will receive audit reports and information on risks relating to governance.

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Internal audit	<ul style="list-style-type: none"> An awareness of the key principles of the PSIAS and the LGAN. Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter. How the role of the head of internal audit is fulfilled. Details of the most recent external assessment and level of conformance with the standards. Internal audit's strategy, plan and most recent annual opinion. 	<ul style="list-style-type: none"> The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards. The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards. In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed. The audit committee chair is likely to be interviewed as part of the external quality assessment, and the committee will receive the outcome of the assessment and action plan.
Financial management and financial reporting	<ul style="list-style-type: none"> Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. An understanding of good financial management practice as set out in the CIPFA <u>Financial Management Code</u> (FM Code) and the level of compliance with it. Knowledge of how the organisation meets the requirements of the role of the CFO as required by <u>The Role of the Chief Financial Officer in Local Government</u> (CIPFA, 2016) and <u>The Role of CFOs in Policing</u> (2021). An overview of the principal financial risks the authority faces. 	<ul style="list-style-type: none"> Reviewing the financial statements prior to publication, asking questions. Receiving the external audit report and opinion on the financial audit. Reviewing both external and internal audit recommendations relating to financial management and controls. The audit committee should consider compliance with the FM Code and the role of the CFO and how this is met when reviewing the AGS.
External audit	<ul style="list-style-type: none"> Knowledge of the role and functions of the external auditor and who currently undertakes this role. Knowledge of the key reports and assurances that external audit will provide. Familiarity with the auditor's most recent plan and the opinion reports. Knowledge about arrangements for the appointment of auditors and quality management undertaken. 	<ul style="list-style-type: none"> The audit committee will meet with the external auditor regularly and receive their reports and opinions. Monitoring external audit recommendations and maximising the benefit from the audit process. The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Risk management	<ul style="list-style-type: none"> Understanding of the principles of risk management, including how it supports good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members and of the audit committee. Knowledge of the current risk maturity of the organisation and any key areas of improvement. 	<ul style="list-style-type: none"> In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements. Awareness of the major risks the authority faces is necessary to support the review of several audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee. The committee should also review reports and action plans to develop the application of risk management practice.
Counter fraud	<ul style="list-style-type: none"> An understanding of the main areas of fraud and corruption risk that the organisation is exposed to. Knowledge of the principles of good fraud risk management practice in accordance with the <u>Code of Practice on Managing the Risk of Fraud and Corruption</u> (CIPFA, 2014). Knowledge of the organisation's arrangements for tackling fraud. 	<ul style="list-style-type: none"> Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy. An assessment of arrangements should support the AGS, and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.
Values of good governance	<ul style="list-style-type: none"> Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct). Knowledge of the whistleblowing arrangements in the authority. 	<ul style="list-style-type: none"> The audit committee member will draw on this knowledge when reviewing governance issues and the AGS. Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<ul style="list-style-type: none"> <u>Effective Scrutiny of Treasury Management</u> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> regulatory requirements treasury risks the organisation's treasury management strategy the organisation's policies and procedures in relation to treasury management. <p>See also <u>Treasure your assets</u> (Centre for Governance and Scrutiny, 2017).</p>	<ul style="list-style-type: none"> Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.

SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

More specialist knowledge will add value to the committee, helping to ensure the committee is able to achieve a greater depth of understanding. Including members with specialist knowledge means there is an additional resource to support other members. Specialist knowledge may be demonstrated by professional qualification and prior work experience.

When reviewing the overall knowledge of audit committee members or when planning the appointment of co-opted independent members, it is helpful to look for opportunities to include the following specialisms:

- Accountancy, with experience of financial reporting
- Internal auditing
- Risk management
- Governance and legal
- Expert service knowledge relevant for the organisation
- IT systems and security

CORE SKILLS

As well as technical knowledge, the following skills will enhance an audit committee member's aptitude to be on the committee.

Skills	Key elements	How the audit committee member is able to apply the skill
Strategic thinking and understanding of materiality	Able to focus on material issues and the overall position rather than being side tracked by detail.	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail.
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations, challenging performance and seeking explanations while avoiding hostility or grandstanding.	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility.	The audit committee's outcome will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, the audit committee should seek assurances that appropriate action has been taken.
Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	The audit committee should seek assurances that planned actions are practical and realistic.
Clear communication skills and focus on the needs of users	Support the use of plain English in communications, avoiding jargon, acronyms, etc.	The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience.
Objectivity	Evaluate information based on evidence presented, avoiding bias or subjectivity.	The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses, and the committee member will need to weigh up differing views.
Meeting management skills	Chair the meetings effectively: summarise issues raised, ensure all participants can contribute, and focus on the outcome and actions from the meeting.	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.

Problem-solving difficulties with the audit committee

It is not uncommon for audit committees to face difficulties or barriers in fulfilling their potential effectiveness. Some of these may be common issues that audit committees in any sector may face; others may be unique to the local authority or police setting. The following assessment may be of value in helping audit committee members or those supporting the committee to recognise and address the challenges.

Areas of difficulty	Possible causes	Possible improvement options
Lack of experience and continuity of knowledge among audit committee members.	<ul style="list-style-type: none"> Where turnover of membership is very frequent, it will be difficult for the committee to build up experience. 	<ul style="list-style-type: none"> Enhanced level of support and training to members will be required. To enhance continuity, the authority should consider recruitment of independent members.
Audit committee members do not feel confident in their knowledge of particular areas.	<ul style="list-style-type: none"> Lack of training and support. 	<ul style="list-style-type: none"> Enhanced level of support and training to members.
Independent members lack knowledge of the organisation and lack connections with key managers.	<ul style="list-style-type: none"> Poor induction. Limited opportunities to engage with the organisation outside of formal meetings. 	<ul style="list-style-type: none"> Improve induction. Identify appropriate meetings, briefings or other opportunities that independent members could attend to help develop better understanding.
Poor management of audit committee meetings means that work is unfocused or fails to reach a clear conclusion.	<ul style="list-style-type: none"> Lack of experience or skill in managing meetings by the chair. Committee members are unsure about their role. Poor support from the committee secretary. 	<ul style="list-style-type: none"> Training and support. Develop a mentoring/coaching programme. Chair seeks feedback from meeting participants. Consider skills and experience in the selection of the chair. Provide training and guidance to committee members on their role. Improve committee support.
The audit committee spends too much time on minor details rather than underlying arrangements of governance, risk and control.	<ul style="list-style-type: none"> Agenda management fails to prioritise key areas. The chair does not intervene to keep the focus at an appropriate level. 	<ul style="list-style-type: none"> Review the process of agenda development. Review the terms of reference and provide training. The chair seeks feedback from meeting participants. Provide the chair with committee management training.

Areas of difficulty	Possible causes	Possible improvement options
The committee lacks focus, and members struggle to gain an overall understanding of their remit.	<ul style="list-style-type: none"> Committee members have a range of objectives rather than focusing on governance, risk, control and audit matters. The committee is too large or lacks continuity because of regular attendance by substitutes. Infrequent attendance by senior officers. 	<ul style="list-style-type: none"> Training and emphasis on the non-political and strategic focus of the committee. Reform of the committee structure to reduce membership and remove use of substitutes.
Senior officers do not understand the work of the committee and are not sighted on its output.	<ul style="list-style-type: none"> The audit committee fails to engage with other committees in the authority. Attendance is often limited to the CFO and the head of internal audit. 	<ul style="list-style-type: none"> Expand attendance at audit committee meetings – for example, invite heads of service when major risks or control issues are being discussed – and share the CIPFA guidance (FAQs) more widely.
Elected representatives not directly involved with the committee have little understanding of its work and do not see its output.	<ul style="list-style-type: none"> Committee recommendations are not directed to appropriate member bodies. Reporting arrangements are not effective. Wider induction arrangements do not cover the audit committee. 	<ul style="list-style-type: none"> Invite newly elected members to attend audit committee meetings. Review reporting and accountability arrangements. Prepare an annual report that sets out how the committee has fulfilled its responsibilities. Share the CIPFA guidance (FAQs).
Recommendations made by the audit committee are not actioned.	<ul style="list-style-type: none"> A poor relationship between the committee and the executive or senior officers. The audit committee's recommendations are not adequately aligned to organisational objectives. 	<ul style="list-style-type: none"> A senior officer provides internal facilitation to support improved relationships. Improve knowledge and skills among audit committee members. Ensure better engagement with appropriate managers or the executive at an earlier stage.
The audit committee fails to make recommendations or follow up on issues of concern.	<ul style="list-style-type: none"> A weak or inexperienced chair. Members are inexperienced or do not fully understand their role. Poor briefing arrangements prior to meetings. Committee reports fail to adequately identify the action required by the committee. 	<ul style="list-style-type: none"> Provide guidance and support. Improve briefing to the chair prior to the meeting. Ensure reports contain clear recommendations.
The audit committee strays beyond its terms of reference – for example, undertaking a scrutiny role.	<ul style="list-style-type: none"> The terms of reference do not adequately scope the work of the committee. Misunderstanding about the role of the committee. Inadequate guidance from the committee secretary to the chair on its role. 	<ul style="list-style-type: none"> Review the terms of reference and provide training and guidance.

Areas of difficulty	Possible causes	Possible improvement options
Political points of view interfere with the work of the audit committee.	<ul style="list-style-type: none"> • A lack of understanding about the role of the committee. • Difficulty separating the work of the committee from the wider politics of authority. 	<ul style="list-style-type: none"> • Seek feedback from those interacting with the committee or external assessment. • Provide support or training for the chair. • Consider the role of independent members.
A breakdown in the relationship between committee members and the executive, PCC or chief constable/deputy chief constable, or with senior management.	<ul style="list-style-type: none"> • A lack of understanding about the role of the committee. • Differing perceptions on the value of the committee • Personality clashes. 	<ul style="list-style-type: none"> • Review the terms of reference and provide training and guidance. • A senior officer provides internal facilitation to support improved relationships. • Seek an external assessment or facilitation. • Change the chair or membership if the constitution or opportunity arises.

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Audit committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:					
• compliance with the CIPFA Position Statement 2022	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• results of the annual evaluation, development work undertaken and planned improvements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• how it has fulfilled its terms of reference and the key issues escalated in the year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Functions of the committee					
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk management arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal control arrangements, including:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• financial management					
• value for money					
• ethics and standards					
• counter fraud and corruption					
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?					
• Separation from executive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• A size that is not unwieldy and avoids use of substitutes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18 Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22 Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23 Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subtotal score	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Total score					
Maximum possible score					200**

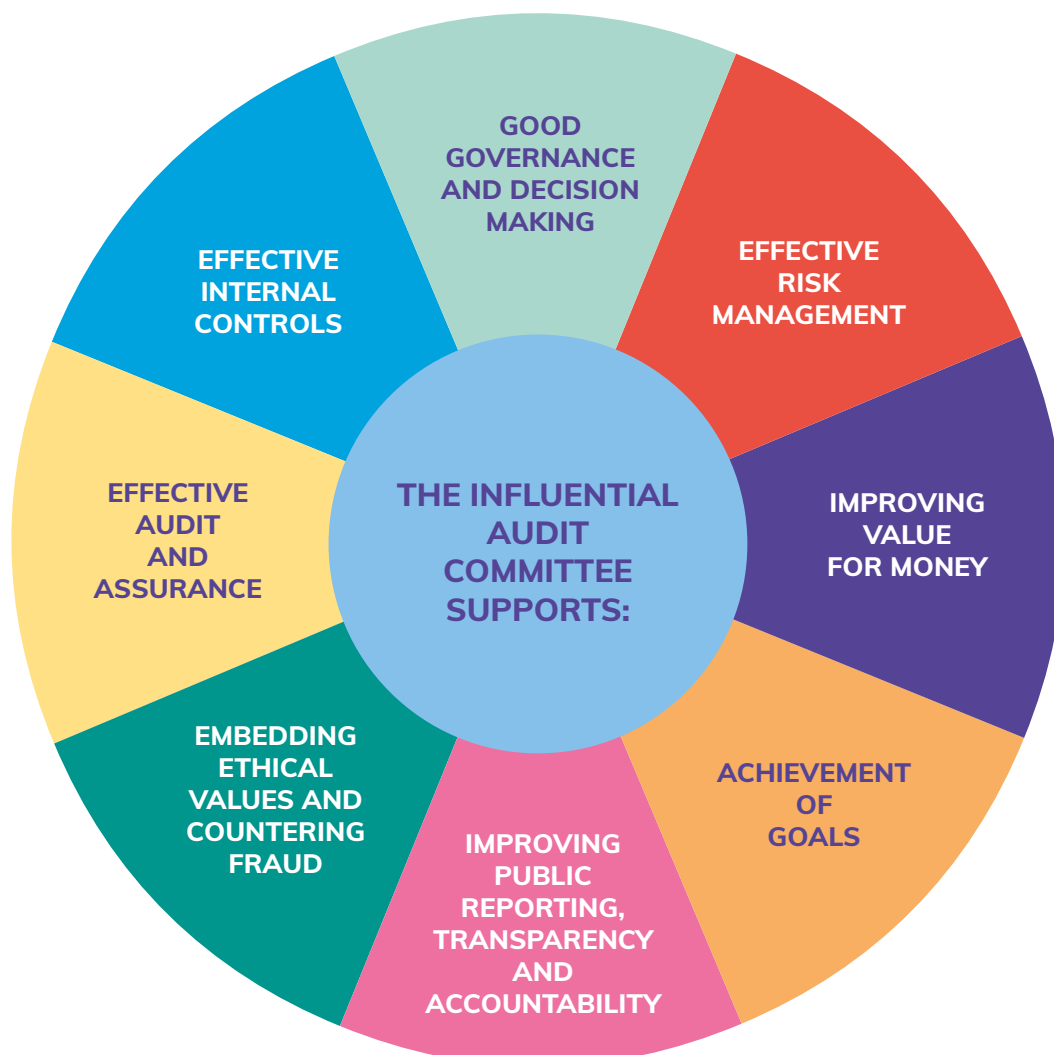
** 40 questions/sub-questions multiplied by five.

Evaluating the impact and effectiveness of the audit committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

The improvement tool below can be used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.

Figure 1: The influential audit committee



The table includes examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

Use the tool for discussion and evaluation of the strengths and weakness of the committee, identifying areas for improvement.

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> Supporting the development of a local code of governance. Providing a robust review of the AGS and the assurances underpinning it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. Local arrangements for governance have been clearly set out in an up-to-date local code. The authority's scrutiny arrangements are forward looking and constructive. Appropriate governance arrangements established for all collaborations and arm's-length arrangements. The head of internal audit's annual opinion on governance is satisfactory (or similar wording). 	
Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> Encouraging ownership of the internal control framework by appropriate managers. Actively monitoring the implementation of recommendations from auditors. Raising significant concerns over controls with appropriate senior managers. 	<ul style="list-style-type: none"> The head of internal audit's annual opinion over internal control is that arrangements are satisfactory. Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified. Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement. 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking. Monitoring improvements to risk management. Reviewing accountability of risk owners for major/ strategic risks. 	<ul style="list-style-type: none"> A robust process for managing risk is evidenced by independent assurance from internal audit or external review. 	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> Reviewing the adequacy of the leadership team's assurance framework. Specifying the committee's assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit. 	<ul style="list-style-type: none"> The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies. 	
Supporting effective external audit, with a focus on high quality and timely audit work.	<ul style="list-style-type: none"> Reviewing and supporting external audit arrangements with focus on independence and quality. Providing good engagement on external audit plans and reports. Supporting the implementation of audit recommendations. 	<ul style="list-style-type: none"> The quality of liaison between external audit and the authority is satisfactory. The auditors deliver in accordance with their audit plan and any amendments are well explained. An audit of high quality is delivered. 	
Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	<ul style="list-style-type: none"> Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. Actively supporting the quality assurance and improvement programme of internal audit. 	<ul style="list-style-type: none"> Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment). The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <u>Statement on the Role of the Head of Internal Audit</u> (2019). 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.	<ul style="list-style-type: none"> • Reviewing how the governance arrangements support the achievement of sustainable outcomes. • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. • Reviewing the effectiveness of performance management arrangements. 	<ul style="list-style-type: none"> • Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. • The authority's arrangements to review and assess performance are satisfactory. 	
Supporting the development of robust arrangements for ensuring value for money.	<ul style="list-style-type: none"> • Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee. • Considering how performance in value for money is evaluated as part of the AGS. • Following up issues raised by external audit in their value-for-money work. 	<ul style="list-style-type: none"> • External audit's assessments of arrangements to support best value are satisfactory. 	
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<ul style="list-style-type: none"> • Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014). • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. • Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	<ul style="list-style-type: none"> • Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements. 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	<ul style="list-style-type: none"> Working with key members/ the PCC and chief constable to improve their understanding of the AGS and their contribution to it. Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. Publishing an annual report from the committee. 	<ul style="list-style-type: none"> The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality. The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion. The authority has published its financial statements and AGS in accordance with statutory guidelines. The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements. 	

OVERALL QUESTIONS TO CONSIDER

- 1 Does the committee proactively seek assurance over the key indicators?
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?

REPORTING RESULTS

The outcome of the review can be used to inform the committee's annual report.



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10/2022

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions		Does not comply	Partially complies and extent of improvement needed			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5
8	Does the committee publish an annual report in accordance with the 2022 guidance, including:					
	<ul style="list-style-type: none">compliance with the CIPFA Position Statement 2022					
	<ul style="list-style-type: none">results of the annual evaluation, development work undertaken and planned improvements					
	<ul style="list-style-type: none">how it has fulfilled its terms of reference and the key issues escalated in the year?					
Functions of the committee						
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
	Governance arrangements					
	Risk management arrangements					
	Internal control arrangements, including:					
	<ul style="list-style-type: none">financial managementvalue for moneyethics and standardscounter fraud and corruption					
	Annual governance statement					
	Financial reporting					
	Assurance framework					
	Internal audit					
	External audit					
10	Over the last year, has adequate consideration been given to all core areas?					
11	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?					
12	Has the committee met privately with the external auditors and head of internal audit in the last year?					

Good practice questions	Does not comply					Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	
Weighting of answers	0	1	2	3	5	

Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?						
<ul style="list-style-type: none"> • Separation from executive 						
<ul style="list-style-type: none"> • A size that is not unwieldy and avoids use of substitutes 						
<ul style="list-style-type: none"> • Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 						
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?						
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?						
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?						
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?						
18 Is adequate secretariat and administrative support provided to the committee?						
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?						

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?						
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?						
22 Are meetings effective with a good level of discussion and engagement from all the members?						
23 Has the committee maintained a non-political approach to discussions throughout?						

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?					
26 Do audit committee recommendations have traction with those in leadership roles?					
27 Has the committee evaluated whether and how it is adding value to the organisation?					
28 Does the committee have an action plan to improve any areas of weakness?					
29 Has this assessment been undertaken collaboratively with the audit committee members?					
Subtotal score					
Total score					
Maximum possible score					200**

** 40 questions/sub-questions multiplied by five.

Rob Winter ARGC Ltd.

Proposal for the review of the Spelthorne Borough Council Audit Committee

Thank you for the opportunity to submit a proposal to undertake a review of the effectiveness of the Council's Audit Committee.

Objectives of the review

The objectives of the review will be to:

- Help the Committee members and those working with the Committee to establish a shared understanding of the role of the Committee and where it can have maximum impact and influence.
- Address the recommendations from the Best Value Inspection and those by the External Auditor Grant Thornton: The Council should review the structure and reporting processes of its Audit Committee. This could include recruiting a second independent member who acts as chair, in line with CIPFA guidance, and ensuring annual reports to Council.
- Review the operation of the Committee, including its terms of reference, how it has fulfilled those terms of reference, demonstrated the impact of its work and suggest changes.
- Consider any areas where the scope and impact of the Committee's work could be strengthened to increase its impact and influence.
- Identify areas for improvement and support to develop an improvement plan for the Committee and where further training or support to the Audit Committee members is recommended and the value of another independent committee member
- Share knowledge and experience of working with other audit committees in local government.

My Approach

I will work closely with the officers at the Council and Commissioners to plan the timing of the review and any subsequent support to ensure it meets your needs. I will need a key contact at the Council through which I can make the necessary arrangements for interviews and attendance at meetings.

The following outline provides some details of the proposed areas of work:

- Conduct a review of the effectiveness of the Committee including the terms of reference, agendas and minutes, and observation of committee meetings from the webcasts and in person.
- I will need to meet with the Chair of the Audit Committee, other members of the Committee, the key officers who attend and support the Committee including the s151 Officer and the Monitoring Officer, the Chief Executive, Leader of the Council, Internal Audit, the External Auditors Grant Thornton and the Lead and Finance Commissioners, to obtain their feedback on its operation and impact. It is anticipated that most of such meetings will be conducted remotely.
- I will utilise the CIPFA guidance on audit committees and my experience of working with numerous audit committees to review how effectively the Committee has been operating.
- Produce a report and recommendations for discussion with the Committee, Council Officers and Commissioners.

Whilst most of the meetings with Committee members and officers will take place remotely, it is anticipated that the feedback to the Committee will take place face to face.

Any further support for the Committee such as the delivery of training or other follow-up will be discussed and agreed separately.