

**Minutes of the Audit Committee
25 February 2025**

Present:

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

Councillors:

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

In Attendance: Councillors C. Bateson

15/25 Apologies and Substitutes

There were none.

16/25 Disclosures of Interest

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

17/25 2024-25 Accounting Policies Spelthorne Borough Council and its subsidiaries Knowle Green Estates Limited and Spelthorne Direct Services Limited

The Committee received a report from the Joint Finance Manager, Systems and Controls on the 2024-25 Accounting Policies for Spelthorne Borough Council and its subsidiaries, Knowle Green Estates and Spelthorne Direct Services Limited. The Committee was informed that these policies would be used in preparing the 2024-25 Statement of Accounts. Key changes included the new standard for operating leases, requiring lessees to recognise nearly all leases on the balance sheet. The need to review and possibly refine the policies based on audit feedback was also highlighted. The policies were to be effective immediately for the 2024-25 audit process.

The Committee initially inquired whether the change to recognise leases resulted from recommendations made by Grant Thornton during their external audit or whether this was decided independently. Emilia clarified that it was an independent decision, reflecting a widespread change in public sector

accountancy, already implemented in the private sector. The Deputy Chief Executive added that the Audit Committee would hear references to this accounting change over the next year, relating to policy guidance under the International Financial Reporting Standard 16 (IFRS16).

The Independent Member, familiar with the wider accounting changes, asked about the material impact on property portfolios and other fixed assets. It was explained that the policy changes primarily affected the Council's role as a lessee, with the only material impact being on lease funding for refuse vehicles which had a value totalling £4 million. The Committee noted the technical nature of the change, and the Joint Finance Manager mentioned the implementation of software to handle lease calculations.

The Committee expressed confusion over the changes/updates to the Accounting Policies and asked what were the main points of focus. The Deputy Chief Executive suggested a future training session on the Statement of Accounts to address these issues and encouraged members to ask questions in advance or during meetings. The representative from Grant Thornton emphasised the need to focus on where the Council had departed from the Code of Practice on Local Authority Accounting (the code) or where there were particular areas of management judgement and estimate which resulted in a different financial position. The external audit process was also a helpful indicator to provide assurance on policy compliance. The Chief Accountant clarified on this occasion the Council had not departed from the code but would highlight this in future reports if this was the case.

The Committee **resolved** to acknowledge the 2024-25 accounting policies.

18/25 To receive the final Statement of Accounts and Audit Report for 2023-24

The Committee considered a report on the final Statement of Accounts and Audit Report for 2023-24. The Committee was asked to approve the Statement of Accounts and the Letter of Representation, and to accept the External Auditors' report and disclaimer opinion. The Council had addressed issues identified in the external audit reports and implemented a plan to resolve them before and as part of the 2024-25 close down process. The Committee noted the statutory deadline to submit signed accounts by 28 February 2025. The External Auditors, Grant Thornton had issued a disclaimer opinion due to insufficient audit evidence. The Committee reviewed the draft Statement of Accounts, amendments, and the Letter of Representation. The final Statement of Accounts was to be published by 28 February 2025. It was confirmed that regular updates on progress against the plan were to be reported to the Committee.

The Committee raised concern regarding the narrative included in the Statement of Accounts and Letter of Representation and requested reassurance as to whether the Audit Chair and Section 151 Officer were in an

appropriate position to sign off both documents. The Grant Thornton Representative clarified that the documentation was in a standard text format and narrative, subject to necessary amendments made by officers. It was further noted that the backlog position and subsequent issuing of a disclaimed opinion on the financial statements was an unusual situation which had impacted Local Authorities on a national scale. The Committee suggested that the Audit Chair provided a short statement at the upcoming budget setting Council meeting to expand on how the Audit Committee had approached the last five years of financial statements in compliance with the backlog regime. It was further suggested to include references to the Action Plans in this statement to provide reassurance on how mitigation measures on addressing issues identified in the two recent external audit reports were in progress.

The Independent Member focused on the balance sheet position as stated in the initial accounts published in May 2024, querying why Long-term assets had been overstated by £20 million and how this may be a future risk. The Chief Accountant clarified that in consultation with Grant Thornton, it was agreed to draw a line under the 2023-24 accounts. However, in preparing the 2024-25 accounts, it was agreed to focus on the year but members of the finance team will also focus on points raised in 2023-24, amending the comparator figures where appropriate, and disclosing the prior year adjustments as required.

Committee members highlighted that significant work was still needed to address capacity issues within the finance team to deal effectively with future audits. This was especially relevant with the upcoming Local Government Reorganisation, noting that the 2026-27 accounts would be the last set of accounts published by Spelthorne in its current structure if reorganisation timescales were met. The Deputy Chief Executive confirmed that the focus was to rebuild as much assurance within the given timeframes.

The Committee noted that the final Value for Money Statement for 2023-24 would not be finalised until after the Best Value Inspectors report had been published. In consideration of this, the Committee inquired about the expected timeframes for when the Best Value (BVI) report would be finalised to allow Grant Thornton to finalise their 2023-24 work and to enable BDO, our previous external auditors to complete Value For Money Work to cover the years 2018-19 to 2022-23. The Deputy Chief Executive explained that the timing to complete the BVI report was in the hands of Government Ministers who had not yet indicated a completion date. The Grant Thornton representative echoed concerns around the timing uncertainties but aimed to produce statutory recommendations (resulting from the weaknesses identified in the Annual Audit Report and Audit Findings Report 2023-24) at the earliest possible juncture.

A recorded vote was requested by Councillor Boughtflower.

The Committee voted on the recommendations as follows:

For: Councillors Boughtflower, Caplin, Howkins, Nichols, Williams, Woodward, Button (6)

Against: (0)

Abstain: Councillor Howkins (1)

The Committee **resolved** to:

1. Approve the Statement of Accounts for 2023-24 and to delegate authority to the Chair of the Committee and the Chief Finance Officer to sign the letter of representation; and
2. To accept the External Auditor's report and disclaimer opinion.

Meeting adjourned at 20:20 and readjourned at 20:34.

19/25 Action Plans to address Annual Audit Report and Audit Findings Report recommendations

The Deputy Chief Executive, Terry Collier presented the action plans developed in response to the recommendations from the Annual Audit Report and the Audit Findings Report for 2023-24. The Committee was asked to approve these action plans and to include updates on progress as a standing item in future meetings. The Annual Audit and Audit Finding's Reports 2023-24 highlighted several issues that required addressing to rebuild assurance in financial and governance arrangements. The action plans aimed to improve the audit process for 2024-25 onwards and ensure better audit reports. Key measures included increasing finance team capacity, implementing a new software and providing additional training.

The Deputy Chief Executive also highlighted that following discussions with the Chair and Vice-Chair, an additional column for Committee sign-off was introduced to both plan templates to make clear that the plans were owned by the committee and could be amended as needed. The Committee raised concerns about the lack of a priority level column and that a lot of the target completion dates were in close range which may be unattainable. The Chief Accountant noted that each issue and recommendation was a priority and responded that many completion dates were similar due to interconnectivity of topics, however an ordered approach would be adopted. The representative from Grant Thornton confirmed that the action plans would be closely monitored in the next months to understand the priorities and evidence which was required as part of the audit planning process for 2024-25.

The Committee initiated discussions by considering each Key Recommendation on the Annual Audit Report 2023/2024 Action Plan individually. Much of the discussions were focused on increasing the involvement of the Financial Reporting Working Group to guide the financial report writing process to make it more effective. Concerns were raised about potential conflicts of interest with the Group Head Assets recent appointment as a Director of Knowle Green Estates. It was explained that measures were in place to mitigate any perceived conflicts of interest. Additional points included providing the sinking fund model in Excel format for better interrogation, efforts to avoid supplementary agendas, and ensuring timely notice of meetings.

The Deputy Chief Executive reinforced that the actions to address recommendations were a key priority and all feedback was noted. At the next scheduled Audit Committee, members would be presented with a set of other external review action plans in similar format as presented this evening. This would include a Public Interest Report Action Plan summary (PIR), alongside a Chartered Institute of Public Finance and Accountancy (CIPFA) and BVI action plans if feasible. The ultimate objective was to integrate all plans into one master action plan for ease of reference.

It was **proposed** by Councillor Williams, **seconded** by Councillor Boughtflower and **agreed** to suspend Standing Order 38.3 to continue the meeting beyond three hours.

The Committee **resolved** to:

- 1) Approve the Action Plan for responses to the External Auditor's Annual Audit Report for 2023-24 Recommendations
- 2) Agree to add to the Forward Plan for the Committee, as a standing item, updates on progress against the plans to be received at each meeting of the Committee

Due to time constraints, the committee were unable to consider the Action Plan responses to the External Auditor's Audit Finding's report for 2023-24 and consequently did not approve the plan. This action plan will be subject to consideration and approval at the next scheduled Audit Committee.

Meeting ended at 22:29