

**Minutes of the Audit Committee
4 December 2024**

Present:

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

Councillors:

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

Independent Member: P. Briggs

Apologies: Councillor J.R. Boughtflower

In Attendance: Councillor C. Bateson

49/24 Disclosures of Interest

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

Terry Collier declared that he was a Director of Knowle Green Estates Ltd.

50/24 2018-19 to 2022-23 Spelthorne Backstop arrangements for the outstanding annual audit and Value for Money Statements

Paul Taylor, Chief Accountant, introduced the report on the 2018-19 to 2022-23 Spelthorne Backstop arrangements for the outstanding Annual Audit and Value for Money Statements. A contextual background into the cause of the backlog position was provided. It was explained that this was due to delays by the previous auditor, KPMG, who were responsible for auditing the 2017-18 accounts, which prevented the successive auditors, BDO LLP from starting their work until May 2023, (at which point national backlog proposals had emerged). The backlog regime, implemented to address significant delays across England, required audited accounts to be published by 13 December 2024. BDO had now compiled disclaimed opinions for the outstanding years due to the inability to perform full audits within the tight deadlines. It was reminded that the unsigned Draft Statement of Accounts were still presented

to the Audit Committee upon publication, and explanations on movements within the accounts were provided at the time. Committee were now asked to review the disclaimed opinions and approve the unaudited financial statements to enable the Council to move on with its incoming external auditors Grant Thornton who are underway with their external audit of 2023-24 accounts.

Barry Pryke, Senior Audit Manager from BDO summarised the main points highlighted within each combined Audit Planning and Completion report which covered the years 2018-19 to 2022-23. Each report featured a draft audit disclaimed opinion, with the backstop arrangements cited as the reason for not performing all necessary audit procedures. The reports closely followed the Local Audit Reset and Recovery Implementation guidance as issued by the National Audit Office and were limited in scope, with no risk assessments or audit testing having been performed. An overview of the main significant risks was detailed which were consistent across the five years and focused on management override, fraud in revenue recognition, expenditure cut-off, property valuations and valuation of net pension assets. The next steps in finalising this process involved the signing of the five separate Management Representation letters by the Deputy Chief Executive and Chair of the Audit Committee by the backstop deadline of 13 December 2024.

The committee discussed sector-wide challenges, including recruitment issues, COVID-19 impacts, and increased regulatory expectations. They also touched on the potential future role of AI in assisting with audit work. The Committee emphasised the need to facilitate ongoing negotiations between the Council's management and BDO regarding the variation to the audit fees considering the minimal audit work which was undertaken due to conditions of the backstop arrangements. The Deputy Chief Executive confirmed he will continue to liaise with BDO and the Public Sector Audit Appointments (PSAA) to confirm this position.

The Committee **resolved** to approve the unaudited financial statements for the years ended 31 March 2019 to 2023 Appendix B to F, in compliance with the backlog regime.

51/24 Value for Money Opinion

The Committee received a verbal update from Barry Pryke, Senior Audit Manager at BDO to inform members of the ongoing work related to the Council's value for money arrangements. Barry noted the backstop reset guidance recommendation which dictated that the auditor completed the Value for Money Opinion and review of use of resources by reporting these findings in the Auditors Annual Report before 13 December. However, there were circumstances where the Value for Money work may be delayed beyond the backstop date. The Council was currently subject to a Best Value Inspection and the team was not due to complete this review before 31 January 2025. As the outcome of the Best Value Report will be relevant to BDO, the Value of Money work and issuing of audit certificates will not be finalised until the Best Value Inspection team has reported its findings.

The Senior Audit Manager confirmed that the Council had provided all relevant self-assessment information for BDO to progress their value for money work as far as possible. A summary was also provided on the impact of changes to the Value for Money regime over the past five years and the different code of audit practices for the periods 2018-19 and 2019-20 compared to 2020 onwards. The Committee asked about BDOs interaction with the Best Value team, and Barry confirmed limited interaction but emphasised the overlapping scopes of both reviews. The Committee discussed the housing benefits subsidy claim audit and queried when this will be completed. It was clarified that there was 3 years-worth of outstanding housing benefit assurance work underway, covering the years 2020 to 2023. The 2020-21 audit work was close to completion, and the remaining work will be prioritised with expectations to finalise in early 2025.

The Deputy Chief Executive queried the logistics around the issuing of the Best Value Inspection findings report which may directly impact BDOs timescales in completing the value for money work. It was acknowledged by the Senior Audit Manager that this required further consideration and will be authorised with the Council's management.

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