

Audit Committee



Date of meeting: 25 February 2025

Title	Action Plans to address Annual Audit Report and Audit Findings Report recommendations.
Purpose of the report	For decision
Report Author	Terry Collier Chief Finance Officer
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	Not applicable
Corporate Priority	All
Recommendations	<p>Committee is asked to:</p> <p>To approve Action Plans for:</p> <ul style="list-style-type: none"> • Responses to the External Auditor’s Annual Audit Report for 2023-24 Recommendations • Responses to the External Auditor’s Audit Findings report for 2023-24 <p>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.</p>
Reason for Recommendation	The Council accepts the need to address the issues identified in the two external audit reports and to do so promptly

1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> • Audit Committee at its meeting on 28th January 2025 received from Grant Thornton, its external auditors, two reports relating to 2023-24, namely: <ul style="list-style-type: none"> • Annual Audit Report (incorporating interim Value for Money conclusions) • Audit Findings Report (focused on Statement Accounts and underlying processes) 	<ul style="list-style-type: none"> • A number of issues have been identified which need to be addressed, in order to rebuild assurance in financial and governance arrangements • To enable a smoother audit process for 2024-25 and to receive improved reports for 2024-25

<ul style="list-style-type: none"> The findings in both reports make challenging reading for the Council 	
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> Address the recommendations Significantly improve the Annual Audit Findings report for 2024-25 Agree Action Plans to provide the Committee with reassurance as the actions being undertaken and to enable oversight of progress 	<ul style="list-style-type: none"> Agree the Action Plans Add the Action Plans to the Forward Plan Review progress against the Action Plans at each meeting of the Audit Committee Ensure that the Corporate Risk Register is updated to reflect the agreed Action Plans

1.1 This report seeks to provide councillors and members of the Committee with the opportunity to consider the suggested responses to the recommendations in the two reports and satisfy themselves that they are appropriate.

2. Key issues

2.1 Local authorities are required to have their accounts independently audited annually by external auditors and to receive an annual audit opinion on the effectiveness and efficiency of their arrangements for securing Value for Money.

2.2 For the financial year 2023-24 (and the following four years) Grant Thornton are the external auditors, appointed by Public Sector Auditor Appointments (PSAA), for the Council. Grant Thornton’s work follows on from the impact of the Council being caught under the national backstop arrangements designed to clear audit opinion backlogs. This resulted in 5 years of audit opinions being disclaimed in December 2024 by the previous auditors. As a result the Council’s officers had an extended period where they did not have the experience of annual interaction with the external auditors, and during this period the requirements on auditors, placed on them by regulators, changed. This, combined with the finance team and other teams also dealing with other pressures, such as the Best Value Inspection process, resulted in the team, not dealing as well as they should have done with external audit enquiries.

2.3 Both the Annual Audit Report and the Audit Findings Report make for challenging reading for the Council, and the Committee agreed when it received these reports from the Auditor on 28th January that it needed some time to scrutinise the proposed responses and ensure that they were appropriate, and that it would then expect to receive progress update reports at every meeting of the Committee.

2.4 With respect to the financial recommendations, particularly relating to the Audit Findings reports, it is recognised that with hindsight the Finance team did not have sufficient capacity to deal with the range of pressures it was facing. The initiation of the joint Finance project with Mole Valley had been designed to generate additional resilience but during the early stages it was actually reducing resources to focus on core tasks and the planned improvements in resilience from the partnership had not come to fruition.

Therefore, a key element of the response is a proposed growth bid of £160k to be incorporated into the Revenue Budget for 2024-25. This will include:

- New post of Head of Financial Accounting
- New service accountant post
- For 2024-25 closure process, 60 days of an interim accountant
- Implementation of new Fixed Asset Register Software.
- Current Chief Accountant increasing days from 2 days a week to 3 days a week
- Accountant currently split 50:50 with Mole Valley returning to 100% Spelthorne working
- Joint Financial Services Manager returns to working 100% for Mole Valley.

There will be a restructure of the Finance team to prioritise financial accounting. Alongside this additional refresher training on working papers and journals is being undertaken this month. The Chief Accountant will be looking to have weekly conversions with the Grant Thornton external audit Manager.

2.5 The draft action plans responding to the two reports are attached as appendices. It will be noted that the Action Plans cover all the recommendations made in the report, and reflect the initial management responses which are then broken down into more granular actions. For each action, a responsible officer is identified, along with target completion date. Progress against target dates will be monitored and reported back to each meeting of this Committee. A key measure of progress will be the external audit reports for 2024-25, when they are received in a little under a year's time.

3. Options analysis and proposal

3.1 Option 1 – Agree the attached Actions Plans and agree to receive progress reports at each Committee meeting for the next year.

3.2 Option 2 – suggest amendments to the attached Action Plans and agree to receive progress reports at each Committee meeting for the next year.

3.3 Option 3 – do not accept the action plans.

4. Financial management comments

4.1 The Audit Findings Report is focused on the financial Statement of Accounts and underlying financial processes, and a large element of the Annual Audit Report is also finance focused. The Action Plans seek to address the recommendations made.

5. Risk management comments

5.1 The Annual Audit Report identifies a number of key corporate risks. One of the Key Recommendations relates to reviewing the Corporate Risk Register and aligning it to focus on the risks identified in the report by the auditors. Officers have done an initial review to identify how the Corporate Risk Register could be re-configured, and this is addressed in the Corporate Risk Management report the Committee is considering later on the agenda.

6. Procurement comments

- 6.1 One of the Key Recommendations in the Annual Audit Report relates to Procurement and is addressed in the Action Plan.

7. Legal comments

- 7.1 Pursuant to Section 151 of the Local Government Act 1972 the Council is under a general duty to make arrangements for the proper administration of their financial affairs.
- 7.2 Section 3 of the Local Audit and Accountability Act 2014 requires the Council to keep adequate accounting records and to prepare a statement of accounts in respect of each financial year. The Accounts and Audit Regulations 2015 contain various requirements in relation to the Council's statement of accounts which the Council must comply with.
- 7.3 Audit Committee oversees the Council's financial reporting process, and more particularly it is within the Committee's remit to "Seek assurances that action is being taken on risk related issues identified by auditors and inspectors". This report seeks to provide such assurances in relation to the matters raised within the external auditor's Annual Audit Report.

Other considerations

- 7.4 There are none.

8. Equality and Diversity

- 8.1 Good governance underpins ability to make decisions to address appropriately. The Equality, Diversity & Inclusion (EDI) policy is in place and a full strategy to be developed, However, all projects should have undertaken an equality diversity and inclusion impact assessment to ensure the project meets EDI requirements this is monitored in the implementation of a project. Sustainability/Climate Change Implications
- 8.2 Good governance underpins ability to make decisions to address the challenges of sustainability and climate change.

9. Timetable for implementation

- 9.1 Action Plans to be added to the Audit Committee Forward Plan as standing item

10. Contact

- 10.1 Terry Collier – t.collier@spelthorne.gov.uk ,Paul Taylor – p.taylor@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:

Annual Audit Report 2023-24
Audit Findings Report 2023-24

Appendices:

Appendix A – Action Plan for Addressing Annual Audit Report Key Recommendations and Improvement Recommendations

Appendix B – Action Plan for Addressing Audit Findings Recommendations