

**Appendix A**  
**Annual Audit Report 2023/2024**  
**Key Recommendations**

No.	Recommendation	Evidence	Actions agreed by Management	Additional specific actions	Responsible officer	Target completion date	Completion date	Signed off by Committee	RAG status
KR1.1	All financial reports that are relevant to decisions regarding short-term and medium-term planning are accurate and consistent. It should also ensure that the root causes of budget growth are identified and explained to members to ensure accuracy of financial plans.			Finance Team to pro-actively plan ahead using Forward Plan to ensure draft financial reports are produced ahead of Committee deadlines, to allow time for reviewers to consider reports, and for drafts to be circulated to group heads and internal stakeholders sufficiently early.  Additional supporting narrative to be provided in future for budget growth bids (with narrative provided for all growth items above an agreed materiality level).	Terry Collier and Paul Taylor	March 24th			
KR1.2	Urgently review the options for the suspended housing projects and assess the impacts for KGE.	The latest outline budget for 2025/26 reported in December 2024 shows the Council balanced in 2025/26 but with larger gaps of £3.7m and £4.8m predicted for 2026/27 and 2027/28 respectively. A further gap is now envisaged in 2028/29 of £6.5m.	KGE has taken recent steps to review the future income streams which the Council hopes will be sufficient to improve the financial viability of KGE.	Development Delivery Programme approved by Council; marketing underway to deliver outcomes for Ashford Victory Place, Ashford Multi-Storey and Thameside House, whilst seeking to maximise affordable housing outcomes. BIG will monitor progress of achieving outcomes on residential/regeneration sites. KGE acquisitions will remain limited to LAHF opportunities. The new business plan for KGE will focus on a new direction of travel with a smaller portfolio of sub 200 properties.	Coralie Holman	Already completed.	Completed due to no further actions being undertaken		
KR1.3	A sustainable business plan for KGE is approved.	At the time of this report the Council has yet to agree a business plan that puts KGE back on a sustainable path.	KGE has taken recent steps to review the future income streams which the Council hopes will be sufficient to improve the financial viability of KGE.	Refreshed medium term business plan to be produced for consideration and approval by KGE Board and CPRC. A draft business plan has been produced for input and refinement by the KGE Board, target completion end of financial year.  New Executive Director to be proposed to KGE Board 19/2/25 who will lead on producing refreshed Business Plan	Coralie Holman	31st March 2025			
KR1.4	A sustainable plan for the sinking funds reserve is approved	Report to January CPRC meeting setting out refreshed sinking funds model		Model has been discussed with new independent CASC member. Model to be reviewed by independent consultant Dan Bates (LG Improve). Model to be demonstrated to all councillors especially members of CPRC and CASC with opportunities for scenarios to be explored user functional brief to be produced In light of feedback from councillors model to be refined and reported back to CPRC 24/3/25	Paul Taylor	March 24 <sup>th</sup> 2025			

KR1.5	Robust plans are approved to address the medium-term budget gaps and to reinstate its transformation programme as a matter of urgency.			CPRC 10th February to agree to add Transformation to terms of reference of Regeneration Board to enable councillors to steer and have oversight of transformation programme alongside Reorganisation.  Board to agree prioritisation of transformation and efficiency streams.  Years beyond 2027-28 potentially to be addressed by the Reorganisation process.	MAT	10/2/25			
KR2.1	The Council should ensure that the Financial Reporting Working Group is appropriately resourced to enable it to quickly provide guidance and training to officers in report writing. If necessary appropriate training should be given to report writers.	Reports to members are often overly complex, confusing, inaccurate, incomplete or inconsistent.	There has been some movement in this direction but there is more progress to be made. The Group has agreed that refresher training for report writers should be provided and plans are being agreed in this regard. A follow up internal audit can be scheduled in once the updated committee structure has been in place for 12 months (April 2025).	Refresher training for report authors to be run.  Report template to be reviewed to simplify and streamline where possible.  Enforce timetable for circulation of draft reports to ensure that all stakeholders review and provide input	Linda Heron	End of March 2025			
KR2.2	The Council should consider whether a follow-up internal audit of the implementation of the Committee system should be undertaken and in particular to consider the effectiveness of scrutiny and the timeliness of decision making.	Decisions by members are not always taken with best value in mind.	There has been some movement in this direction but there is more progress to be made. The Group has agreed that refresher training for report writers should be provided and plans are being agreed in this regard. A follow up internal audit can be scheduled in once the updated committee structure has been in place for 12 months (April 2025).	Officers/Audit Committee to discuss with SIAP potential for inclusion in 2025-26 Audit Plan follow up audit of Committee System Officers / Audit Committee to discuss with SIAP potential for commissioning external review of governance and decision making Officers / Audit Committee to discuss whether a dedicated Scrutiny Committee should be established	Linda Heron	End of March 2025			
KR3	The Council should review its strategic risk register to consider risks arising from previous external scrutiny reports as well as procurement and ensure that risks and mitigations reflect the latest position with regard to actions taken. In addition the Council should ensure that realistic timescales are set for implementing actions and ensure that those dates are only exceeded by exception and adequate explanations for delays are recorded. The CASC forward plan should also be updated to include reviews of the investment portfolio risk register	We note from a review of the risk register a number of omissions.  A number of actions which have been on the action plan for over four years have still not been completed with many actions having target completion dates exceeded and re-set on numerous occasions without adequate explanation.	It is accepted that a number of the actions relating to the risks on the Corporate Risk Register have been on the register for some time, but this has reflected the ongoing nature of the risks, and the prolonged work needed to try to address the relevant subject area. Several of the risks have remained on the register for a number of years due to changes in the political balance of the Council, leading to a change of policy direction.  The Corporate Risk Register will be updated in response to issues arising from this report and from the BVI Report when it is published.	Suggested initial revisions to align Risk Register with key risks identified in Annual Audit Report and Audit Findings to be presented to Audit Committee 25th Feb 2025.  Risk Register to be refreshed and outstanding completion dates to be highlighted and addressed.	Lee O'Neil	25/2/25			Amber
KR4	The Council needs to urgently assess the governance and oversight of KGE Ltd in order to avoid conflicts of interest and to conform to best practice.	Governance arrangements with regard to the Council's wholly owned subsidiary KGE does not accord with best practice. There are actual conflicts of interest with senior officers and members in key roles on the company Board.	In December 2024 the Corporate Policy and Resources Committee confirmed that the s151 officer would resign from the KGE Board and that took effect at the beginning of January 2025.  To address a) issue of Council representation on the Board, and b) shareholder steer on the future direction of KGE CPRC agreed to set up a Task and Finish	KGE Task and Finish Group to consider Council representation on KGE Board and make recommendations to CPRC KGE Task and Finish Group will also consider whether senior officers can continue to hold key roles in KGE (e.g. the Monitoring Officers as company secretary) and any governance arrangements that need to be put in place CPRC Task and Finish Group to evaluate options for future shape of KGE (continue	Linda Heron	24/3/25 24/3/25			Amber

			Members Group to assess these issues and report back to March 2025 CPRC. Terms of reference for the Task Group are going to 20th January CPRC.	as limited company, become RSL, transfer onto Council Balance Sheet etc)					
KR5	The Council should ensure corporate performance monitoring of its strategic priorities is undertaken and reported to the CPRC or Full Council on a quarterly basis. Directorate and service performance monitoring should support and be linked to the Council's strategic priorities. A robust performance management framework should clearly set out the approach required.	The Council does not have a performance management framework in place by which CPRC or Full Council regularly monitor performance against key corporate KPIs. There was no annual performance report reviewed by CPRC or Full Council in 2023/24.	Members already have ongoing access to the Corporate Plan Action Tracker to monitor progress with priority actions at any time. .An annual report was provided to CPRC for 23/24 but a review of KPIs has been undertaken to ensure they are still fit for purpose in readiness for use, as from 1 April 2025, in a revised system. The new system will be used to provide quarterly KPI reports to CPRC related to corporate priorities and provide a narrative to set the context of the KPIs.	This revised approach ensures KPIs are linked to service plans and the Corporate Plan.  KPIs for services are available and key corporate ones will be reported to Committee but service KPIs can be used to monitor service performance and reported to MAT or the relevant service Committee.	Sandy Muirhead	01/04/25			Amber
KR6	The Council needs to implement a system of review and monitoring of all action plans arising from external reviews. Appropriate updates should be provided to the Audit Committee on a quarterly basis.	The Council has failed to secure improvements following external reviews.	We will undertake a review as per the recommendation	Action Plans addressing External Auditors Annual Audit Report and Audit Findings recommendations to be produced and presented to February 25th Audit Committee for approval. Progress against action plan will then be reported to every meeting of Audit Committee. Action plan for Public Interest Report to be refreshed and put in new format and reported to May Audit Committee. Action Plan for CIPFA Review to be produced and presented to May Audit Committee for review	Terry Collier Coralie Holman Terry Collier	25/2/25  May  Completed		Completed	
KR7	The Council should ensure that the necessary changes to procurement and contract management arrangements are put in place to ensure that efficiencies and economies are maximised. The Council should also ensure that suitable performance metrics including regulation/rule breaches and contract waivers are introduced with reporting through to Audit Committee on a quarterly basis.	There is no reporting of contract or procurement metrics to members.	A permanent Corporate Procurement Manager has joined the Council in October 2024. The Council is preparing for the legislative changes arising from the Procurement Act 2023. A Procurement Board is being created comprising procurement, finance, legal and project officers. Terms of Reference for this Board are under discussion and are due to be presented to senior management for approval by the end of January 2025.	Procurement Board to be activated and Terms of Reference approved. Procurement metrics and protocol for reporting to members to be agreed.  New systems to be implemented in time for implementation of Procurement Act 2023	Linda Heron and Angie Cochrane	28/02/2025  28/02/2025  24/02/2025			

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IR1	The Council should ensure that it effectively utilises benchmarking to identify how its costs of services compares to similar Councils.	The Council does not effectively use benchmarking to identify how it compares to statistical nearest neighbours in terms of service unit costs	To continue to undertake quarterly KPI reporting but to provide reports to Committees with benchmarking . Benchmarking to continue with near neighbours through the quarterly reporting on a suite of KPIs to Surrey Chief Executive meetings. The Council proposes to use the CFO insights tool going forward and Local Government Data Explorer.	Benchmarking to be embedded into Service Planning process	Sandy Muirhead	26/2/25  1/4/25  1/9/25			

IR2	The Council should ensure the financial implications of the strategies are clearly set out when the strategies are being approved.	The financial implications of each of the Council's strategies is not always as clear as it should be, particularly where decisions have unintended consequences on other parts of the budget. available.	The Electric vehicle Infrastructure strategy was written to provide an overview on the areas of infrastructure the Council could look at. Prior to the writing of the strategy work was done to assess the costs and potential income that could be achieved through the introduction of EV infrastructure on Council properties with good access to the road network. Each project then needs a detailed costed business case before being taken forward.	All draft strategies to be scrutinised for financial implications which will be required to be articulated. Interdependencies of financial implications of different strategies to be considered	Terry Collier	Ongoing			
IR3	The Council should undertake a self-assessment of its Audit Committee arrangements in accordance with CIPFA guidance.	The Audit Committee is formed of seven elected members and one independent member.	In accordance with CIPFA Best Practice Guidance and National Audit Office Guidance the current Independent Member of the Audit Committee was appointed in February 2023 and has since provided constructive challenge and scrutiny. The Council is exploring scope for appointing another independent member to further strengthen the work of the Audit Committee. The current independent member has been a positive contribution to the committee, constructively injecting additional independent challenge.	Undertake a self assessment of the Audit Committee. Consider recruiting a further independent lay member of the Committee; if agreed in principle commence constitutional process (amendments to the Council's constitution, appointment by the relevant Committee).	Terry Collier and Linda Heron	31/03/2025 30/06/2025			
IR4	The Council should further review the implementation of the Centros financial system to ensure that all anticipated benefits are being maximised and if not identify the root cause for this to enable improvements to be made for future budget setting and use of the system by members and officers.	members have access to the system but do not use it preferring to continue to raise questions with officers	The Centros system has been successfully implemented in terms of the upgrade from Integra. Councillors now have access to the whole system to review. The next step, is to implement Business Intelligence, Dashboards and improved communications. This has been delayed for at least 12 months, because of the Mole Valley Partnership and due to the need to switch resources to deal with the BVI process.	The ending of the Mole Valley-Spelthorne partnership will free up more resource and focus on progressing the three year Centros development programme.	Paul Taylor and Jodie Hawkes				
IR5	The Council should closely monitor progress with the Internal Audit Plan for 2024/25 and ensure that the service continues to adhere to PSIAS standards.	New provider for 2024/25. The internal Audit Plan for 2024/25 was only put to the Audit Committee for approval in July 2024	Southern Internal Audit Partnership (SIAP) are one of the largest providers of public sector internal audit in the region. It was unavoidable that at the start of the first year of the service in 2024-25 there would be a bit of delay before the new provider would be able to provide an audit plan. This will not be an issue in future years.	Draft annual audit plan to be considered by Audit Committee ahead of start of 2025-26 financial year	Linda Heron and Terry Collier	31/3/25			
IR6	<b>The Council should ensure that</b> the financial and non-financial performance of its partnering arrangements with key partners are regularly monitored to ensure the arrangements continue to achieve value for money. The Council should also ensure that the impacts on partnering arrangements are considered when making financial decisions.	A decision 'Letter of Support for Knowle Green Estates Ltd' was presented to CPRC as a 'no options' report. The Legal implications state 'no risk' but the extent of those loans (29.5m) is not reported and the potential risks of providing the letter of support are not fully explored.	The Council will address this through the Collaborative Working Review Group, which includes members from all political parties selected from the CPRC.	All proposals for partnership moving forwards will clearly set out financial and non-financial deliverables. These will be reported to Councillors Collaborative Working Group, and included in Project Initiation Documents. The progress against deliverables will be monitored by the relevant Partnership Project Board. (should be recognised that in the context of Reorganisation likely to be fewer newer proposals going forwards as focus will be switching to achieving unitary authorities)	Lee O'Neil				