Southern Internal Audit Partnership

Assurance through excellence and innovation

Internal Audit Progress Report Spelthorne Borough Council – October 2025

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1. 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.'

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

'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.'

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.

2. Internal Audit Standards

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.

3. Purpose of Report

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

- o The monitoring of 'live' internal audit reports
- o an update on progress against the annual audit plan and any subsequent revisions
- o acknowledgement of any actual or perceived impairments to internal audit independence
- o internal audit performance, planning and resourcing issues
- results of audit assignments and insights.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of controls in place focusing on those designed to mitigate risks to 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.

4. Resourcing

As Chief Internal Auditor I maintain responsibility for ensuring that there is a sufficient level of resource available, supported by an appropriate range of knowledge, skills, qualifications and experience to deliver the internal audit plan (2025-26) and in the fulfilment of the audit mandate and delivery of the internal audit strategy.

- Human Resource the Southern Internal Audit Partnership has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the internal audit strategy and risk-based audit plan.
- Financial Resource the Head of Southern Internal Audit Partnership will manage the internal audit budget to enable the successful
 implementation of the internal audit mandate and achievement of the plan. The budget includes the resources necessary for the
 function's operation, including training and relevant technologies and tools.
- Technological Resource the internal audit function has the technology to support the internal audit process and regularly evaluates technological resources in pursuit of opportunities to improve effectiveness and efficiency.

As previously reported, the Southern Internal Audit Partnership experienced a higher than average level of attrition earlier in the year resulting in vacancies at auditor, senior auditor and audit manager level.

Positively, all posts at auditor and senior auditor level have now been filled with additional resource also being added to our specialist IT and data analytic teams. The advert for internal audit manager is currently live with interviews scheduled for November.

It will inevitably take a period of time to fully onboard and induct new staff. The Southern internal Audit Partnership have enacted contingency arrangements for additional support through the appointment of short-term agency staff to manage this period of onboarding.

Whilst there will be no financial impact to the Council, there may be some slippage in delivery of quarter 2 / 3 reviews.

I remain confident as your chief internal auditor that the 2025/26 internal audit plan will be sufficiently delivered enabling me to provide a timely Annual Conclusion.

5. Independence

As your chief internal auditor, I retain no roles or responsibilities that have the potential to impair my independence, either in fact or appearance. Internal auditors engaged in the delivery of the 2025-26 internal audit plan have had no direct operational responsibility or authority over any of the activities reviewed. I can confirm there has been no interference encountered relating to the scope, performance, or communication of internal audit work during the year to date in the delivery of the internal audit plan or the fulfilment of the internal audit mandate.

6. Impairments

There have been no impairments to internal audit activity during the year. The internal audit function has remained free from all conditions that threaten our ability to carry out responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. The internal audit team have maintained an unbiased mental attitude allowing them to perform engagements objectively enabling them to believe in their work product, with no compromise to quality, and no subordination to their judgment on audit matters, either in fact or appearance.

7. Rolling Work Programme

The internal audit plan for 2025-26 was originally presented to Senior Management and approved by the Audit Committee in May 2025. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed below.

Steady progress against the plan for 2025-26 continues to be made, with the three 2024-25 reviews now complete and Q1 and Q2 work for 2025-26 substantially underway.

Discussions have been held with the Deputy Chief Executive & Section 151 Officer regarding those audits scheduled through quarters 3 & 4 to ensure that they remain the most appropriate in terms of priority and in line with any requirements emerging from the work with the Best Value Commissioners. This has resulted in some changes to the plan as set out in section 8.

It remains imperative that through the remainder of the year audit work is progressed timely and therefore any delays we experience will continue to be escalated promptly to relevant management.

Audit Review	Sponsor	Scoping Held	ToR Issued	Fieldwork Start	Draft Report	Final Report	Assurance Opinion	Comment
2024-25				'	•			
Contract Management	Deputy Chief Executive and S151 Officer	06.02.25	25.02.25	04.06.25	01.09.25	28.10.25	Reasonable	
Risk Management	Deputy Chief Executive	05.02.25	04.03.25	10.03.25	04.06.25	04.11.25	Limited	
2025-26								
Decision Making and Accountability	Deputy Chief Executive and S151 Officer	21.05.25	17.07.25	17.07.25	30.09.25	06.11.25	Reasonable	
Contract Management – Leisure Centres	Deputy Chief Executive and S151 Officer	01.08.25	09.09.25	22.09.25	10.11.25			
Main Accounting	Deputy Chief Executive and S151 Officer	25.07.25	07.08.25	11.08.25	24.09.25	15.10.25	Reasonable	
National Non Domestic Rates	Deputy Chief Executive and S151 Officer	23.07.25	01.08.25	15.09.25				
Annual Governance Statement	Deputy Chief Executive and S151 Officer	28.08.25	02.10.25	01.10.25	18.11.25			
Continuous Improvement, including Corporate Plan	MAT	22.10.25						Q3
Cyber Security training and Awareness	Deputy Chief Executive and S151 Officer	20.10.25						Q3
Disabled Facilities Grant	Deputy Chief Executive and S151 Officer	05.11.25						

Audit Review	Sponsor	Scoping Held	ToR Issued	Fieldwork Start	Draft Report	Final Report	Assurance Opinion	Comment
Treasury Management	Deputy Chief Executive and S151 Officer							Q4 Agreed scoping for November for fieldwork start in January
Budget Monitoring	Deputy Chief Executive and S151 Officer	25.09.25						Q4 Fieldwork agreed for March Draft ToR issued 13.10.25
Community Infrastructure Levy	Deputy Chief Executive							Q4
Commercial Property Management	Deputy Chief Executive and S151 Officer							Q4

8. Adjustment to the Internal Audit Plan 2025-26

Internal Audit focus continues to be proportionate and appropriately aligned. The plan remains fluid and subject to on-going review and amendment, in consultation with the relevant audit sponsors, Senior Management, and Audit Committee, to ensure internal audit are able to react to new and emerging risks and the changing needs of the Council.

Such amendments to the 2025-26 internal audit plan are detailed below with explanations for the proposed amendments.

		Audit Review	Reason for inclusion in the plan
		Annual Governance Statement	Replacement for Savings Proposals and Realisation. Taken from contingency list.
Addit	tions	Disabled Facilities Grant	This has been added to the plan (from the contingency list of audits) due to the cancellation of other audit reviews.
		Community Infrastructure Levy	This has been added to the plan (from the contingency list of audits) due to the
			cancellation of other audit reviews.

	Audit Review	Reason for removal from the plan						
	Savings Proposals and Realisation	The 24-25 audit review has only recently been finalised with the majority of management actions due for implementation during Q3. Therefore no added value re-auditing at this time.						
	Knowle Green Estates	Following the commissioning of independent assurance work by the Board around health and safety statutory compliance no additional internal audit work is considered necessary at this time.						
Withdrawals	Governance of Companies – Knowle Green Estates	At our detailed scoping we were informed that the Council had commissioned an independent review of Knowle Green Estates. In reviewing the scope of this review it was clear that there would be duplication in the work we had scheduled to undertake. We have agreed with senior management that as part of the 2026/27 audit plan we will						
	Homelessness	undertake a follow up review of actions arising from the externally commissioned review. Due to capacity within the Council this review has been cancelled.						
	Asset Management	The scheduled coverage on the Improvement Recovery Plan, Corporate Plan and commercial property will crosscut into asset management. Further consideration of this as an audit area will be considered as part of the 2026/27 planning process when the results of the aforementioned reviews will be taken into account.						

9. Acceptance of Risk

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 are considered by internal audit to fall outside of the Council's risk tolerance, these will be escalated to Senior Management and Audit Committee as deemed necessary.

There are no such instances to report from our delivery of the 2025–26 internal audit plan to date.

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

There have been two reports published concluding with a 'limited' assurance opinion for inclusion within this progress report. The detail of one report is covered under Part 2 (Exempt).

Title: Risk Management		
Audit Sponsor	Assurance opinion	Management Actions
Deputy Chief Executive	Limited	6 High 16 Medium 0 Low

Summary of key observations:

Risk management is essential for organisations helping identify, assess, and mitigate potential threats or uncertainties that could negatively impact objectives. Effective risk management helps create a stable and predictable environment, enabling better performance and resilience in the face of uncertainties.

The audit highlighted that whilst the current Risk Management Policy is available to all officers via "spelnet", the Deputy Chief Executive explained that it required update and review. Testing confirmed the policy and guidance were incomplete, out of date, and unreflective of the committee and governance framework (including roles and responsibilities) in which it operates.

The terms of reference for the Corporate Risk Management Group (CRMG) were out of date and not fully reflective of existing membership and roles.

Positively, the risk register has been regularly presented to the Audit Committee, however, the strategy / policy or formal report from the Corporate Risk Management Group were not evident and therefore may impinge on the Committees ability to fully discharge their responsibilities in respect of risk management.

Operational risk registers were not routinely maintained, and Service Plans did not provide a comprehensive alternative. Whilst risks were incorporated within Service Plans there was no assessment and prioritisation; no risk owner assigned; and actions to mitigate and manage the risks had not been identified and documented.

Review of the Corporate Risk Register and Project Risk Registers highlighted inconsistency in the effective recording of risk cause and effect. Additionally, inherent risks were not scored within the Corporate Risk Register which may inhibit the assessment of effectiveness of the controls and/or mitigations in place to manage the risk(s). Additionally, the evaluation of risk likelihood and impact was inconsistent across risk registers.

The Councils risk appetite was unclear. Additionally, there was no evidence that the original risk appetite statement had ever been updated or approved, despite the Risk Management Policy stating that it should be reviewed annually and approved by the Cabinet at the start of each municipal year.

Whilst it is clear that risk is discussed at MAT, due to the high-level nature of the minutes the extent of those conversations could not be determined. There was also no evidence to support that the full risk register had been presented to MAT for the period reviewed.

There was no robust programme of training for officers or members (outside of the Audit Committee) to fully support and embed the process of risk management within the Council.

The Deputy Chief Executive highlighted that a number of ongoing initiatives to enhance the organisation's approach to risk management were in development including policy review, raising risk awareness, refreshing the format of risk registers and looking to identify suitable officer / member training. Whilst this provides positive reassurance on future direction of travel it cannot alter our observations of the operational risk management framework at the time of the audit review.

It is anticipated that management actions to address observations highlighted in this report alongside those detailed in the Best Value Inspection and External Auditor Report 2023/24 will enable the organisation to further enhance the control environment to support and establish a robust risk management framework moving forwards.

11. Analysis of 'Live Audit Reviews'

Audia Daviess	Report	Audit	Assurance					Man	ageme	ent Ac	tions				
Audit Review	Date	Sponsor	Opinion	Agreed Pen			Pending		Complete		te	Overdue		ie	
				L	M	Н	L	M	Н	L	M	Н	L	M	Н
2023/24															
Commercial Assets	July 2024	DCE/S151	Reasonable		3						2			1	
2024/25															
Building Control	Jan 2025	DCE	Limited		5	6					5	5			1
Equality, Diversity and Inclusivity	June 2025	DCE	Limited	2	2	4	1		1	1	2	3			
Tree Maintenance	July 2025	DCE	Limited	4	9		2			2	9				
Savings Realisation	Sept 2025	DCE/S151	Limited		7	9		2			4	7		1	2
Accounts Receivable and Debt Management	Oct 2025	DCE/S151	Limited	7	4		2	2		5	2				
Spelthorne Direct Services	Oct 2025	DCE/S151	Limited	7						6			1		
Contract Management	Oct 2025	DCE/S151	Reasonable		1	1		1	1						
Risk Management	Nov 2025	DCE	Limited		16	6		12	4		4	2			
Decision Making and Accountability	Nov 2025	DCE/S151	Reasonable	1	9		1	9							
Exempt Item	Nov 2025	DCE	Limited	4		3	3		3	1					
2025/26															
Main Accounting	Oct 2025	DCE/S151	Reasonable	6	7		4	7		2					
Total				31	63	2 9	13	33	9	17	28	17	1	2	3

Annex 1

Overdue 'High Priority' Management Action

Building Control - Limited

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 LABC to confirm next steps in supporting this compliance area.

Risk:

Non-compliant with the BSR requirements in April 2025 leading to potential penalties and regulatory action from the BSR.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
2.1 Obtain confirmation from Local Authority Building Control (LABC) that we are signed up to their QMS (made request in November 2024)	28.02.25	30.09.25 30.11.25	1.9.25 - This is still outstanding as the service have reported they are entirely dependent on a third party (LABC) to come back to them with a date to review documentation. They have not done so to date, so the revised date will need to move back to 30.11.25 to have a realistic prospect of being completed.

Savings Realisation - Limited

Observation:

The 2024/25 to 2027/28 Outline Revenue Budget Report presented to CPRC in November 2023 confirmed Group Heads and Senior Managers would be tasked with identifying savings streams in excess of £2.3m to be realised in 2024-25. Subsequently, as part of this exercise, the Draft Budget Report presented to CPRC in February 2024 confirmed £2.1m of this target had been identified mainly due to the removal of redundant budget codes.

However, review of the accompanying Appendix 4 which detailed the £2.1m savings to cost centre and general ledger code level confirms it was actually a mixture of cost reduction and income generation activity which still required adjusted budgets to be balanced for savings to be realised. Although Appendix 4 also confirmed whether each cost reduction or income generation target was considered one-off or ongoing, no reference to the potential savings across the MTFP base budget was made.

No record was kept to evidence that budget-holders had agreed to these targets or to confirm how budget codes had been amended, and there was no subsequent targeted analysis to confirm whether budget reduction and income generation activity was being achieved. Nor was there any targeted activity to track variances and advise CPRC of variances, with an approach taken that the achievement of a favourable £3.1m 2024-25 outturn negated any related risk.

Analysis of these cost centre and general ledger codes as at March 2025 found total expenditure of £432k had been recorded against a total income budget of £168k, resulting in a negative £600k impact upon the outturn and the failure to achieve 28% of the £2.1m savings target, even though this figure was reported to CPRC as achieved mainly through the removal of redundant budget lines in February 2024.

As examples of the variances within the overall figures:

- A budget line with an expected saving of £165k to be realised through the removal of business rates charges following the demolition of Thameside House instead recorded charges of £268k when plans to demolish Thameside House changed, under-achieving its savings target by £433k.
- A budget line with an increased income generation target of £40k for Staines (London Road) Cemetery giving a total income generation budget of £134k actually generated £194k of income, over-achieving its savings target by £60k.

While both of these budget lines were referenced in revenue monitoring reports (or related appendices) presented to MAT/MAT+ and CPRC in-year as variances to budget were material, no reference to the fact they contained elements of the £2.1m savings target or their impact upon the achievement of that target could be found.

A similar approach has been taken in relation to additional cost reduction and income generation activity of £1.246m reported as applied to the 2025-26 base budget. However, unlike in the 2024-25 budget setting process, the three appendices detailing budget reduction and income generation activity by Committee included figures to support a total of £4.9m savings across the MTFP. As referenced in Observation 7, it is not clear whether these savings have been accurately reflected in the MTFP.

Further to this, the three appendices do not detail the savings to cost centre and general ledger code level so do not provide a robust audit trail back to the adjusted budget lines. Nor do they always fully substantiate how figures have been calculated at a budget line level.

Risk:

Savings are reported as achieved before they have been, target savings are not quantified, realised savings are not identified, and risks relating to unrealised savings in the current year and across the MTFP are not addressed.

Management Action	Original Due Date	Revised Due Date	Latest Service Update			
In summer 2025, working with the Commissioners, the Finance	30.09.25	30.11.25	A draft revised MTFS is being finalised and will be going to an			
team and external experts, are undertaking a major refresh of			additional set of meetings of CPRC and Council in November (10th and			
the MTFP modelling which will update Medium Term Budget gaps and result in revised formats for budget reports which will make clear how targets are being applied to base budgets.						17th respectively)
will make clear now targets are being applied to base budgets.			The finance team have done a major refresh of the budget modelling			
			system which the Finance Commissioner is happy with, again this in			
			the process of being finalised.			

Savings Realisation - Limited

Observation:

The Deputy Chief Executive and S151 Officer has created a tracker spreadsheet documenting the opening MTFP budget gaps reported to CPRC in February 2025 and listing revenue savings plans not already reflected in the MTFP, including, but not limited to, the recently identified green-rated Efficiency Savings of £1.2m per annum. The tracker also includes potential revenue savings from the disposal of capital assets.

Should these additional savings streams be realised, the Council is facing an adjusted cumulative MTFP budget funding gap of £4.8m, as opposed to the £8.5m reported to CPRC in May 2025, with verbal confirmation given that further work in conjunction with the Commissioners has identified enough potential savings and income generation activity to offset the 2026-27 MTFP budget-funding gap and reduce the cumulative MTFP budget-funding gap to approximately £3m.

While creating a consolidated savings tracker and identifying an adjusted MTFP budget funding gap balance is a positive step, the tracker does not yet reflect potential savings relating to the Digital Transformation Strategy, and we were also advised of a savings stream relating to a shared fraud initiative with another local authority which is also not currently reflected.

As referenced under Observations 2 and 3, there are potential inconsistencies with the way savings streams relating to budget reduction / income generation activity and cashable savings have been applied to the MTFP base-budgets beyond 2025-26, risking the integrity of the cumulative opening MTFP budget gap figures.

Also, the Efficiency Savings of £1.2m per annum have been applied within the tracker across all four years of the MTFP, whereas we were advised they related to savings streams deliverable by May 2027, when the Council is expected to move to a Unitary arrangement.

Risk:

The opening and adjusted MTFP budget funding gap figures are not accurate.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
As stated above, the MTFP gaps modelling, working with the	30.09.25	30.11.25	A draft revised MTFS is being finalised and will be going to an
Commissioners and external experts will be refreshed over the			additional set of meetings of CPRC and Council in November (10th and
summer. The time period the MTFP relates to will be reviewed			17th respectively)
once the Secretary of State announces their decision in mid-			,,,
October on Surrey Local Government Reorganisation. As part			
of the MTFP refresh, risks relating to the fact the current			
Closing of MTFP Budget Gaps Tracker spreadsheet does not			

reflect all potential savings streams and previous savings		The finance team have done a major refresh of the budget modelling
streams may have been applied to the MTFP inconsistently will		system which the Finance Commissioner is happy with, again this in
be considered.		the process of being finalised.

Annex 2

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
Commercial Assets (Legacy audit)	July 2024	Reasonable		1	31.05.25	01.12.2025
Savings Realisation	Sep 2025	Limited		1	30.09.25	30.11.25
Spelthorne Direct Services	Oct 2025	Limited	1		30.09.25	31.12.25
Total	1	2				

Annex 3
Southern Internal Audit Partnership - Performance Measures

	Performance Measure	Regularity	Target	Actual 25/26	Status	Direction of Travel
1.	Percentage of the agreed audit plan completed (issue of draft / final report)	Ongoing	90%	33%*		n/a
2.	Audits delivered within agreed timescales (% year to date)				1	
	o To issue of draft report	Ongoing	80%	75%*		n/a
	o To issue of final report	Ongoing	80%	50%*	0	n/a
3.	Conformance with the Global Internal Audit Standards in the UK Public Sector	Annual	Conforms	Conforms**		\Leftrightarrow
4.	Audits conducted optimising the effect use of data analytics (% year to date)	Ongoing	60%	60%*		
5.	Stakeholder satisfaction (annual survey)					
	o Audit Committee	Annual	90%	97%		n/a
	Senior Management		90%	100%		n/a
	o Key Contacts		90%	100%		n/a
6.	Internal audit effectively communicates with key stakeholders					
	o Audit Committee		90%	100%		n/a
	Senior Management	Annual	90%	100%		n/a
	o Key Contacts		90%	100%		n/a
7.	Sufficiency of input to and discussion of the internal audit plan		•	•		•
	o Audit Committee	Ammond	90%	100%		n/a
	Senior Management	Annual	90%	100%		n/a
8.	Appropriate focus on key risks					•
	Audit Committee		90%	75%		n/a
	 Senior Management 	Annual	90%	100%		n/a
	o Key Contacts		90%	100%		n/a

^{*} Cumulative throughout the year

^{**} Any external quality assessment undertaken under the Public Sector Internal Audit Standards remains valid for the duration of the successive five years (from the date it was undertaken). The Southern Internal Audit Partnership will be commissioning an external quality assessment against the Global Internal Audit Standards in the UK Public Sector during 2025.