Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1
Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing		
Relevant Group Head review		
MAT+ review (to have been circulated at least 5 working days before Stage 2)	**AB**	**7/7/2026**
This item is on the Forward Plan for the relevant committee		
	Reviewed by	
Finance comments (circulate to Finance)	**AB**	**7/7/2026**
Risk comments (circulate to Lee O’Neil)		
Legal comments (circulate to Legal team)	**LH**	**6/7/2026**
HR comments (if applicable)	**N/A**	

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2
Report checklist – responsibility of report owner

ITEM	Completed by	Date rec’d
Monitoring Officer commentary – at least 5 working days before MAT	**LH**	**6/7/2026**
S151 Officer commentary – at least 5 working days before MAT	**TC**	**6/7/2026**
Commissioner engagement		
	P.Robinson	No issues
		Comments in S. 7
Confirm final report cleared by MAT	**AB**	**7/7/2026**

Audit Committee

23rd July 2026

Title	Statement of Accounts 2025/26 – delay in publication
Purpose of the report	To inform Members of the reasons for delay
Report Author	Peter Worth, Financial Reporting and Treasury Management Consultant
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	Resilience
Recommendations	Committee is asked to note the reasons for the delay in publishing the Statement of Accounts for 2025/26.
Reason for Recommendation	Local authorities are statutorily required to publish the annual statement of accounts by 30 June. This report explains why that has not been possible for 2025/26 and plans to resolve this position.

1. Executive summary of the report (expand detail in Key Issues section below)

What is the situation	Why we want to do something
The Council's statement of accounts is close to completion. However, an error in the Collection Fund, the account used to manage Council Tax and Business Rate income, was discovered towards the end of the closedown programme. This is potentially a material sum affecting both 2025/26 and previous years	To inform Members of the reasons for the delay in publication and the steps being taken to address the delay.
This is what we want to do about it	**These are the next steps**
Officers are engaging an external collection fund specialist through LG Futures, a Local Government Accounting Consultancy, to review the Council's collection fund accounting arrangements to resolve the issues in July 2026.	Complete the engagement process, update the Statement of Accounts as appropriate, and publish the Statement of Accounts.

2. Key issues

2.1. This report explains to Members why the publication of the 2025/26 Statement of Accounts has been delayed beyond the statutory deadline of 30 June 2026.

Statutory position

2.2. Regulation 15 of the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2024 require local authorities to make their annual statement of accounts available for public inspection “on or before the first working day of July of the financial year immediately following the end of the financial year to which the statement relates”. In other words publish draft accounts by 30 June.

2.3. Where a local authority has not been able to publish the draft accounts by the statutory publication date, Regulation 9A requires the local authority to publish a notice stating that it has not been able to publish, the reasons for this and that it will publish as soon as reasonably practicable. The Council published this notice on 30 June 2026 on its website which is at:

Notice of delay in publishing the 2025-26 unaudited Statement of Accounts.pdf

Current position

2.4. The Council’s Statement of Accounts for 2025/26 have been drafted but the internal quality assurance review has highlighted a material error in the amount of income to be credited to the Council’s General Fund from business rates and council tax. An initial assessment is that this dates several years.

2.5. When issuing the Statement of Accounts for publication, the S.151 officer is making a personal statement that he regards the statements as presenting a “true and fair view” of the Council’s financial performance and financial position. Clearly knowing that there is a potential material error means that the S.151 Officer could not knowingly publish those accounts until the error is resolved.

Background

2.6. As Members will be aware, there has been a substantial backlog in the number of audit opinions issued for local authority accounts, which central government is addressing through its backstop arrangements. This has resulted in most English local authorities receiving disclaimed audit opinions for the years 2018/19 to 2024/25.

2.7. Nationally the position appears to be improving with about 80% of local authorities having published draft statement by 30 June 2026. However, those accounts are only as good as the underlying supporting evidence.

2.8. The Council is on a financial improvement journey. The background to this is the lack of any external audit of the financial statements for the period 2018/19 to 2022/23 when BDO issued five disclaimed opinions on 13/12/2024 and qualified opinions were issued by the previous auditor, KPMG in the previous five years as set out in Table 1 below. KPMG qualified the value for money assessment because the Annual Governance Statement did not comply with the CIPFA/SOLACE Good Governance Framework.

Table 1 External audit opinions

Fin'l Year	Auditor	Opinion type	Date issued	Time after Y/E
2013/14	KPMG	Except for non-compliant AGS	18/9/2014	6 months
2014/15	KPMG	Except for non-compliant AGS	28/9/2015	6 months
2015/16	KPMG	Except for non-compliant AGS	30/9/2016	6 months
2016/17	KPMG	Except for non-compliant AGS	19/2/2019	2 yrs 11 months
2017/18	KPMG	Adverse for Investment Property	19/6/2023	5 yrs 3 months
2018/19	BDO	Disclaimed	13/12/2024	5 yrs 9 months
2019/20	BDO	Disclaimed	13/12/2024	4 yrs 9 months
2020/21	BDO	Disclaimed	13/12/2024	3 yrs 9 months
2021/22	BDO	Disclaimed	13/12/2024	2 yrs 9 months
2022/23	BDO	Disclaimed	13/12/2024	1 yr 9 months
2023/24	GT	Disclaimed	25/2/2026	1 yr 11 months
2024/25	GT	Disclaimed	24/2/2026	11 months

2.9. When the statement of accounts was subject to audit in 2023/24, Grant Thornton concluded that:

- there was an absence of accounting records to support the financial statements;
- material key judgements and estimates within the accounts were not supported by suitable management assessments;
- the disclosures in the accounts did not comply with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code);
- the financial statements lacked complete and accurate supporting underlying evidence for audit purposes;
- several financial balances lacked sufficient evidence for the auditor to obtain assurance due to poor or missing audit evidence;
- the absence of adequate reconciliations to support key figures in the financial statements including the bank account and collection fund;
- Minimum Revenue Provision appeared to be materially understated;
- there was insufficient capacity and capability within the existing financial team to produce suitable accounts for audit with accompanying audit evidence.

2024/25 Statement of Accounts

2.10. An independent external review of the draft 2024/25 Statement of Accounts originally due to be published in June 2025 identified 25 key issues including:

- a £3.8m difference between the Comprehensive Income and Expenditure Statement (CIES) and the movement in the net worth of the balance sheet from 31/3/2024 to 31/3/2025;

- total reserves reported in the Movement in Reserves Statement did not agree to the balance sheet;
- cash and cash equivalent balances at 31 March 2025 reported in the balance sheet were £1m different to the cash flow statement;
- amendments had been made to the prior year comparatives without any explanation or prior year adjustments – this was a practice which had been going on since the last complete audit in 2018/19 and was highlighted in BDO's audit reports on the years since 2018/19;
- two primary statements had not been produced, namely the collection fund and the group accounts;
- the Capital Financing Requirement (CFR) had not been reconciled to the balance sheet with a gap of c.£34m, supporting Grant Thornton's concerns about the level of MRP being charged;
- the Council's draft accounts failed more than 50% of the consistency checks required under the Code;
- the Narrative Report did not mention of the financial performance of the Council's companies or the key service objectives of the Council and was inconsistent with the Statement of Accounts;
- the Annual Governance Statement did not set out the seven key principles of the CIPFA/SOLACE Framework and how these were addressed by the Council's governance arrangements nor did it include an action plan setting out how it would address the recommendations in the Best Value inspection report and the external audit report.

2.11. In the light of this review, additional specialist financial reporting expertise was engaged and the Statement of Accounts completely re-drafted and published in mid-September 2025. The revised Statement was produced in landscape format and colour replacing the previous monochrome portrait layout, but more importantly had the Code consistency checks built into it to ensure internal consistency of figures reported.

Financial improvement journey

2.12. The Council is on a financial improvement journey which started in June 2025. Based on experience at other local authorities, this usually takes three years:

- **Year One** is sorting the financial reporting issues i.e. producing a Statement of Accounts which fully complies with the Code. This stage resulted in the revised Statement published in September 2025;
- **Year Two** has two aspects:
  - (a) Improving capacity and capability within the Finance Team. This has been achieved by:
    - i. engaging a number of financial reporting specialists,
    - ii. providing closedown training to all Finance staff
    - iii. implementing a standard suite of closedown working papers for all aspects of the Statement of Accounts with tailored quality assurance processes to ensure Code compliance

iv. instituting rigorous quality assurance review of all statements and disclosures

(b) identifying, investigating and resolving legacy issues:

i. reasons for the material imbalance between the CFR and the balance sheet have been investigated. This has resulted in 3 prior year adjustments to correct errors dating back to 2016/17

ii. there was a £2.6m error on the Financial Instruments Revaluation Reserve dating back to 2024/25 which should have been largely cleared when the majority the Council's pooled investment funds were sold;

iii. the MRP policy was updated in November 2025 to comply with the Statutory Direction to set MRP in full compliance with the Statutory MRP Guidance issued by MHCLG

iv. quality assurance review of the Collection Fund has identified cumulative errors of at least £2m which appear to date back to 2024/25

- **Year Three** is moving onto a stable business as usual basis with all the quality assurance processes bedded in and resolving any issues highlighted by the external audit of the 2025/26 Statement of Accounts.

2.13. Given that the Council becomes part of the new West Surrey unitary authority from 1 April 2027, it is vital that the issues identified in 2025/26 and previous years are resolved before records and corporate knowledge are inevitably lost on transfer to the new authority. This is also about ensuring that the financial position of the Council minimises the financial risks for the new authority so that it can set a financially sustainable budget with effect from 1 April 2027.

2.14. It should be emphasised that the above processes are designed to reduce the risk of material misstatement on the accounts, but will not eliminate this entirely, particularly when the Council has had disclaimed audit opinions for the period 2018/19 to 2024/25 and no effective external audit for the period 2018/19 to 2022/23.

3. Options appraisal and proposal

3.1. This report is "to acknowledge" only. As soon as the Collection Fund accounting issues are resolved, the Statement of Accounts will be published – the aim is end of July/beginning of August.

4. Risk and assurance implications

4.1. There are no financial penalties arising from late publication of a local authority's accounts. The main risk is failing to adequately investigate and resolve issues arising from the closedown and external audit processes, which could then transfer underlying financial problems to the new West Surrey unitary authority.

5. Legal comments

5.1. The Accounts and Audit Regulations 2015 (as amended) ("the 2015 Regulations") contain requirements for the commencement by a specified date of the period for the exercise of public rights in relation to the Council's annual statement of accounts. Local electors have the right to inspect the

Council's accounting records and make their objections or other comments to the Council's external auditors.

5.2. Where such period has not been commenced as prescribed by the 2015 Regulations, the Council is required to publish a notice on its website as soon as reasonably practicable stating that the statutory date has not been met and explaining the reasons for the delay.

6. Financial implications

6.1. The fee for the work by LG Futures will £8,995 excluding VAT. This is considerably less than the fee paid last year of £20,000 to the previous consultant.

Corporate implications

7. Commissioners' comments

7.1. Commissioners are pleased with the substantial progress made by the Council in correcting their financial statements. They fully support the S.151 Officer's position of not publishing the accounts until he is satisfied that they represent a "true and fair" view.

8. S151 Officer comments

8.1. As S151 Officer I cannot publish the Statement of Accounts for publication until I am satisfied that they represent a "true and fair view" of the Council's financial performance and financial position. Clearly knowing that there is a potential material error in the Collection Fund means that this is not possible. I am confident that engaging specialist support will resolve the position in July enabling publication. The late publication will not delay the external auditors work and give an improved audit opinion.

9. Monitoring Officer comments

9.1. The Monitoring Officer reiterates comments in section 5 of this report and the importance of the publication of the notice in compliance with the 2015 Regulations.

10. Procurement comments

10.1. There are no procurement implications arising directly from this report.

11. Equality and Diversity

11.1. There are no equality and diversity issues arising.

12. Sustainability/Climate Change Implications

12.1. There are no sustainability or climate change considerations arising.

13. Other considerations/LGR considerations

13.1. The quality of the Statement of Accounts will have a direct impact on the financial position and budget-setting for the new West Surrey unitary authority. Hence it is essential that financial issues identified during the closedown process are investigated and resolved.

Contact: *Peter Worth, Financial Reporting and Treasury Management Consultant, p.worth@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: None

Appendices: None