

Audit Committee Annual Report 2025/26



Foreword from the Chair of the Audit Committee

As Chair of the Audit Committee, I am pleased to present this Annual Report outlining the Committee's role and summarising our work and achievements during the 2025/26 municipal year.

Over the past year the Audit Committee has initiated a change programme to the way it works, in response to the government's Best Value Inspection report and Grant Thornton's external audit report. We undertook a self-assessment, with the help of a local authority audit consultant, which provided some assurance as to the effectiveness of the committee, as well as resulting in changes including new terms of reference, more frequent meetings and the introduction of governance assurance framework to replace the corporate risk register. These changes are still bedding in, but we are already seeing a positive change to the governance of the council as a result.

I would like to thank the officers and councillors who have supported the Committee's work through their participation in our discussions. Questioning from attending members has remained constructive and thoughtful throughout, challenging officers with the aim of improving governance across the council. Everyone's contribution is valued.

Councillor Jon Button

The Annual Report outlines the work of the Audit Committee during the financial year 2025/26 and covers the following subjects:

Foreword from the Chair of the Audit Committee.....	2
1 Purpose of the report.....	3
2 Key achievements during the year	3
3 Role of the Committee.....	3
4 Annual review of effectiveness	4
5 Committee's business	4
6 Committee membership and attendance record	6
7 Committee Development.....	8
Appendix 1 – Terms of reference	8

1 Purpose of the report

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that Audit Committees are regularly accountable to those charged with governance. This report fulfils the requirement to publish an annual report to Full Council, providing assurance that the Committee is fulfilling its role and adding value. The report also supports the Annual Governance Statement by helping the Committee review the assurances received and its contribution to the Council's governance arrangements.
- 1.2 This accountability should cover:
- delivery against the Committee's terms of reference;
 - compliance with recommended practice;
 - member training and development;
 - reviews of the Committee's effectiveness and any resulting actions; and
 - the Committee's impact on governance, risk management and internal controls.

2 Key achievements during the year

- 2.1 2025/26 was a significant year for the Audit Committee. In response to recommendations from the Best Value Inspection and External Auditor reports, the Committee undertook an independent CIPFA self-assessment and implemented a programme of changes to strengthen its effectiveness.
- 2.2 The Committee oversaw the transition from reporting against the Corporate Risk Register to the Governance Assurance Framework, strengthening accountability, oversight and assurance across the Council.
- 2.3 The Committee monitored delivery of the Internal Audit Plan, which was fully completed in 2025/26. Internal Audit concluded that the Council's governance, risk management and control arrangements provided reasonable assurance.
- 2.4 The Committee also supported improvements to the Annual Governance Statement and monitored governance arrangements supporting the Council's Improvement and Recovery Plan.
- 2.5 Throughout the year, the Committee maintained close engagement with the External Auditor, monitoring progress against recommendations and ensuring lessons learned informed the Council's improvement programme.
- 2.6 These changes have strengthened the Committee's effectiveness and enhanced its role in providing independent assurance over the Council's governance, risk management and control arrangements.

3 Role of the Committee

- 3.1 Audit Committees are a key part of an authority's governance framework. Their role is to provide independent assurance on the effectiveness of governance, risk management and internal control arrangements.

- 3.2 By overseeing governance, risk and control arrangements, the Committee provides assurance to Full Council that these arrangements are operating effectively. The Committee also oversees Internal Audit, External Audit, financial reporting and governance matters, helping to ensure effective scrutiny, challenge and public accountability.
- 3.3 As part of its effectiveness review, the Committee identified the need to update its terms of reference to align with CIPFA's 2022 Position Statement on Audit Committees. The revised terms of reference are included at Appendix 1.

4 Annual review of effectiveness

- 4.1 During 2025/26, the Committee commissioned an independent review against CIPFA's 2022 Position Statement on Audit Committees. The review concluded that the Committee was meeting its core responsibilities while identifying opportunities to further strengthen its effectiveness and align with best practice.
- 4.2 Recommendations included updating the terms of reference, enhancing member training, reviewing membership and quorum arrangements, increasing the frequency of meetings, and strengthening engagement between the Committee Chair, Internal Audit, External Audit and statutory officers.
- 4.3 The Committee agreed an action plan to implement the recommendations and monitor progress. This has strengthened the Committee's governance, oversight and assurance role while supporting continuous improvement.

5 Committee's business

- 5.1 In fulfilling its terms of reference, the Audit Committee discharged its responsibilities by receiving assurance during 2025/26 from the following sources:
- External Audit
 - Internal Audit
 - Financial Management
 - Risk Management
- 5.2 Agenda items included:
- Value for Money Reports (BDO and Grant Thornton)
 - Annual Audit Report and Audit Findings Report 2024/25 (Grant Thornton)
 - 2024/25 Statement of Accounts (Draft Unaudited and Audited)
 - Corporate Risk Management and Risk Register Updates before the transition to new Governance Assurance Framework with updates throughout the implementation
 - Annual Governance Statement (including Draft Governance Assurance Statement)
 - Internal Audit Charter 2025/26 and 2026/27
 - Internal Audit Strategy, Plan and Progress Reports
 - Annual Internal Audit Report and Opinion 2024/25
 - External Audit Quality Assessment of SIAP
 - External Audit Plan and Sector Updates
 - Review of Audit Committee Effectiveness, including CIPFA Self-Assessment and discussion of Audit Committee Governance Arrangements

- Improvement and Recovery Plan Progress and Assurance Reports
- Annual review of Counter Fraud, Bribery and Corruption Strategy
- Annual Review of the Confidential Reporting Code
- Building Control Update
- Argus Software workshop Discussion

The work of External Auditors

- 5.3 The main responsibility of the External Auditor is to report on the Council's Accounts and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (Value For Money). The Committee received the auditor's disclaimed opinion due to limitations in verifying opening balances following several years without audit and final report for the accounts for the financial year 2024/25 from Grant Thornton, the Council's External Auditor, as well as the audit plan for the 2025/26 financial year.
- 5.4 The External Audit Findings Report for 2024/25 noted an improvement over the previous year's financial reporting, but found there are still areas where more work is required, and recognised the positive trajectory of the council.
- 5.5 The committee also received external audit reports from BDO covering the years 2018 to 2023. These had been delayed due to the audit backlog and all contained a disclaimed opinion. They raised similar issues to the Best Value Inspection.
- 5.6 The Committee received an update from Grant Thornton on planning for the 2025/26 audit. Members provided constructive challenge on a range of matters, including the audit opinion, assurance over asset valuations, lessons learned from the previous audit cycle, and issues raised through the Value for Money assessment. The discussion enabled the Committee to gain a clearer understanding of audit risks, the actions being taken to address recommendations, and the arrangements in place to support a timely and effective audit of the Council's accounts.

The work of internal audit

- 5.7 In respect of the 2025/26 financial year, an improved and positive Internal Audit Opinion was given from the Deputy Head of Southern Internal Audit Partnership:
- "I am satisfied that sufficient assurance and advisory work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment. In my opinion the framework of governance, risk management and control are 'reasonable', and audit testing has demonstrated controls to be working in practice.*
- Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."*
- 5.8 Quarterly Internal Audit reports showed strong performance against the approved plan and performance measures, marking a significant improvement on the previous year. The Committee also approved the 2026/27 Internal Audit Plan in February 2026, ensuring continued independent assurance in the year ahead.
- 5.9 The Committee received the results of the External Quality Assessment of the Southern Internal Audit Partnership (SIAP). The assessment awarded SIAP the

highest rating of “Generally Achieves”, with no areas of partial or non-conformance and no formal recommendations.

- 5.10 The Committee did not meet privately with Internal Audit during this period but the Committee Chair met the Deputy Head of Southern Internal Audit Partnership of SIAP twice with senior officers to receive an update.

Financial Management

- 5.11 The Committee received the audited Statement of Accounts and Audit Report for 2024/25 at its February meeting. Members expressed concern that amended papers had been circulated late, noting that although the changes did not affect the Council's overall financial position, the timing reduced the Committee's opportunity for effective scrutiny.
- 5.120 Throughout the year, the Committee maintained oversight of the Council's financial management, governance and control arrangements through reports from the Section 151 Officer, Interim Deputy Chief Finance Officer and Internal Audit. These included updates on treasury management, prudential indicators, financial controls and risk management, supported by regular Internal Audit Progress Reports providing assurance on the effectiveness of key controls. The Committee also reviewed and monitored the Counter Fraud, Bribery and Corruption Strategy as part of its wider governance and assurance responsibilities.

Governance Assurance

- 5.13 In response to recommendations from the Best Value Inspection and External Auditor, the Council replaced its Corporate Risk Register with a Governance Assurance Framework designed to strengthen governance, oversight and accountability.
- 5.14 The Committee received regular updates on implementation and reviewed the first six of the twelve governance assurance themes in May 2026 and helped shape the development of the new reporting framework.

The Annual Governance Statement

- 5.15 The Committee agreed a revised 2025/26 Annual Governance Statement, which concluded that, although the Council made significant progress in its recovery and improvement journey, further work is needed to strengthen governance processes and ensure risks and improvement opportunities are identified and addressed consistently. Following the External Auditor's review, the Audit Committee will recommend the final Annual Governance Statement to Council for approval.

6 Committee membership and attendance record

- 6.1 During 2025/26 the Committee's membership was

Councillor Jon Button (Chair)
Councillor Karen Howkins (Vice Chair)
Councillor Greg Neall (Membership stopped upon election as Leader on 26.05.26)
Councillor Lawrence Nichols
Councillor Howard Williams
Councillor Paul Woodward
Councillor Rose Chandler (from September 2025 until May 2026)

Councillor John Boughtflower (from May 2026)
Councillor Saliagopoulos (until September 2025)
Independent member Philip Briggs
Independent member Sati Seehra (from September 2025 until April 2026)

6.2 The following Councillors were substitute members

Councillor Chris Bateson
Councillor John Boughtflower (until May 2026)
Councillor Tony Burrell

6.3 Attendance record

KEY:

	Present		Present as substitute
	Apologies		In attendance
		NA	Not expected to attend

	10.07.25	25.09.25	21.10.25	27.11.25	22.01.26	24.02.26	26.03.26	19.05.26
Councillor Button								
Councillor Howkins								
Councillor Boughtflower	NA	NA	NA	NA	NA	NA	NA	
Councillor Chandler	NA							NA
Councillor Neall								
Councillor Nichols								
Councillor Saliagopoulos		NA	NA	NA	NA	NA	NA	NA
Councillor Williams								
Councillor Woodward								
Philip Briggs								
Sati Seehra	NA							NA
Councillor Chris Bateson								
Councillor Tony Burrell	NA		NA	NA	NA	NA	NA	NA

6.4 Senior Officers from the council were also present where appropriate, including:

- Deputy Chief Executive and Section 151 Officer
- Deputy Chief Executive
- Group Head Corporate Governance and Monitoring Officer
- Deputy Head of Southern Internal Audit Partnership (SIAP)

6.5 External attendees included:

- Representatives from Grant Thornton, External Auditor
- Rob Winter, Governance and Audit Specialist

7 Committee Development

- 7.1 Member briefings and training during the year focused on the implementation of the Governance Assurance Framework. Regular training sessions were held before Committee meetings, with members actively engaging in these opportunities.
- 7.2 While wider development opportunities were limited during the year, the Committee remained focused on maintaining effective oversight and assurance during a period of significant change. As local government reorganisation progresses, priority is being given to supporting strong governance, the delivery of the Council's remaining responsibilities, and a successful transition to the new West Surrey authority.

Appendix 1 – Terms of Reference

Part 3 section (b)
Updated: 26 February 2026

AUDIT COMMITTEE

(7 councillors reflecting political balance and two independent non-voting members)

Functions

A. General Remit:

1. To provide independent assurance of the adequacy of the risk management framework and the associated control environment.
2. To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
3. To oversee the financial reporting process.
4. To promote the application of and compliance with effective governance arrangements across the Council.

B. Internal Control incorporating Risk Management, Financial Probity and Stewardship

- To consider the overall adequacy and effectiveness of the system of internal control and the arrangements for risk management, control and governance processes and securing economy, efficiency, and effectiveness (value for money).
- To ensure that the highest standards of financial probity and stewardship are maintained throughout the Authority, within policies set by the Council from time to time.
- To consider policies not reserved to other service committees for consideration and approval by the Council.
- To promote effective internal control by the systematic appraisal of the Council's internal control mechanisms and by the development of an anti-fraud culture.

- To promote effective risk management throughout the Council in accordance with the Council's Risk Management Policy Objectives statement.
- To periodically review the Council's strategic risk register and to invite, when appropriate, a Member of the extended Management Team to meetings to discuss strategic risks within their specific service area.
- To consider, challenge and comment on the Annual Governance Statement.
- To receive reports on additional corporate functions contributing to overall assurance against the corporate priorities and specifically in relation to:
 - Human Resources
 - Health & Safety
 - Business Continuity and Emergency Resilience
 - Information Governance
 - Strategic Procurement and Contract Management
 - Asset Management
 - Ethical Framework
 - Equality and Inclusion
 - Environmental Governance
- To encourage wider dialogue with members of the extended Management Team by inviting them to meetings on a periodic basis to give assurance about issues identified within reports relating to various Council activities and in particular those which are subject to reported Corporate Assurance implications.

C. Internal Audit

- To oversee, in consultation with the Head of Internal Audit ("the HoIA") the preparation and approval of an annual Internal Audit plan for the Council and to receive periodic reports from the HoIA on performance against the plan.
- To monitor compliance with Internal Audit reports following their consideration by management
- To review the performance of the Internal Audit team by way of quarterly performance management reports.
- To consider the HoIA annual audit report and opinion, and a summary of activity (actual and planned) and the level of assurance it can give over the Council's corporate governance arrangements.
- To enhance the profile, status and authority of the Internal Audit function and demonstrate its independence.
- To approve and periodically review the Internal Audit Charter

D. External Audit and other Inspectorates or Regulatory Bodies

- To oversee, in consultation with external auditors, the preparation of the annual audit plan for the Council and to receive periodic reports from the external auditor on performance against the plan.
- To consider and report to Corporate Policy & Resources Committee and the Council the annual audit and inspection letter.
- To consider the appointment of the Council's external auditor.
- To monitor compliance with external audit, external inspectorate and Ombudsman reports following their consideration and resolution by the Corporate Policy & Resources Committee and/or Council.

E. Other

- To consider general issues and statistics in relation to the Council's Confidential Reporting (Whistleblowing Policy) "Whistleblowing" Policy.

- To review the Authority's use of the Regulation of Investigatory Powers Act.
- To review the Authority's arrangements for establishing an appropriate antifraud framework.
- To monitor compliance with and the effectiveness of anti-fraud and corruption policies and procedures.
- To consider and review compliance with the Authority's Treasury Management policy.

F. Accounts

- To review the financial statements, external auditor's opinion, and reports to Members, and monitor management action in response to the issues raised by External Audit.
- To contribute to the annual review, consideration, and challenge of the financial statements.