

18 March 2026

To Standards and Audit Committee Chair
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Dear Councillor Parry

Runnymede Borough Council: Conclusion of the audit for 2023/24 – letter to those charged with governance on the application of the local authority backstop 2023/24

As you will be aware, on 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements up to and including 2022/23 by 13 December 2024, and for the audit year 2023/24 by 28 February 2025. The new National Audit Office Code which was approved on 14 November 2024 also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

The authority published its unaudited accounts on 27 February 2025. As discussed with your Assistant Chief Executive (S151) and for reasons which I set out in more detail below, it will not be possible for us to complete our audit for 2023/24 by the statutory backstop date. We therefore propose to issue a disclaimer of our audit opinion. I attach a draft copy of this disclaimer for the attention of the Standards and Audit Committee.

We are required under Auditing Standards to report certain matters to the Standards and Audit Committee, including our responsibilities as auditor, the scope of the audit, independence, audit fees and any matters arising from the audit. I set out more details on the audit below. Information regarding our responsibilities, the scope of the audit and fees are included in the Appendix.

Outcome of our audit for 2023/24 – Disclaimer of opinion on the financial statements

Unfortunately for reasons set out below, it was not possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 28 February 2025. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer audit opinion. We attach the draft wording of our Audit Report for your information.

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2024 by 28 February 2025 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. The Authority published its unaudited accounts on 27 February 2025, leaving insufficient time for audit work to be completed.

We have been unable to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's and group's financial statements for the year ended 31 March 2024 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive. We will therefore issue a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2024.

At the time of writing, the previous auditor has yet to conclude the audits of the financial statements for the years ending 31 March 2020, 31 March 2021, 31 March 2022 and 31 March 2023. Our 2023/24 disclaimer audit opinion will be issued after the above opinions are issued. The opinions were received on 27 February 2026 and our disclaimer opinion was issued on 18 March 2026.

Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice

We undertook our Value for Money work between March and June 2024 and reported the outcome in our Interim Auditor's Annual Report issued in June 2024. The key findings included one significant weakness in Financial Sustainability where financial pressure on the Council is expected to increase significantly in the medium term, such that by 2028/29 the Council estimates that the General Fund balance could fall into a negative figure of minus £3.6m without mitigations from savings plans, and the Housing Revenue Account Reserve may have fallen to £6m. We made a key recommendation around the need for scenario modelling and detailed monitoring of outturn on savings schemes, as well as further exploration of all options for strengthening financial resilience.

In the Final Auditor's Annual Report we have included a further significant weakness in Governance; where the unaudited financial statements for 2023/24 were published later than the latest date on which unaudited accounts could be published to enable local elector rights to be met in time for the backstop, meaning that it was not possible to start audit work on the accounts before this date, therefore significantly compromising the ability of the auditor to provide assurance on the financial statements. We made a key recommendation that the Council put arrangements in place to ensure that 2024/25 unaudited accounts (and the unaudited accounts for future years thereafter) are published annually in line with government deadlines, starting with 30 June 2025.

We also made two improvement recommendations related to Financial Sustainability, one improvement recommendation related to Governance, and three improvement recommendations related to Improving Economy, Efficiency and Effectiveness. We note that the Council reported progress against the key recommendation in Financial Sustainability and the six improvement recommendations to the Standards and Audit Committee meeting on 30 January 2025.

On the 19 December 2023 the Department for Levelling Up, Housing and Communities (DLUHC) issued a Best Value Notice to the Council outlining concerns that the:

- The Council had borrowing 71 times its' core spending power on 31 March 2023; and
- Commercial income (mainly from an investment property portfolio built up using borrowing) represented a substantial revenue source for the Council and was being used to support core as well as discretionary services.

DLUHC made a series of recommendations in December 2023 around managing this risk, and the Council put in place 13 workstreams to respond and report on these recommendations by December 2024. On 19 December 2024, MHCLG (having superseded DLUHC upon the change of government during 2024) informed the Council that the non-statutory Best Value Notice would not be reissued at this time. This recognised the programme of work delivered during 2024 and provided reassurance that the Council is fulfilling its Best Value duty under the Local Government Act 1999.

Further details are set out and reported in the final Auditor's Annual Report which is tabled as a separate agenda item to this meeting.

We are also required to report by exception if we have applied any of our statutory powers or duties. We have nothing to report in respect of the above.

Independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms).

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance

Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Management letter of representation

We have asked management to provide a Group Letter of Representation in respect of the 2023/24 financial statements. This is tabled as a separate agenda item.

Looking ahead

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming year, as we seek to rebuild audit assurance.

Yours sincerely

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For Grant Thornton UK LLP

cc Assistant Chief Executive (S151)

Attachment: Draft Disclaimer of Opinion and Group Letter of Representation

Appendix

Responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Runnymede Borough Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Standards and Audit Committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Standards and Audit Committee of its responsibilities. It is the responsibility of the authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the authority's business and is risk based.

Audit Plan

We issued an indicative Audit Plan on 28 June 2024. In our plan we identified the following issues as significant audit risks:

- Management override of controls
- Valuation of land and buildings including council dwellings
- Valuation of investment properties
- Valuation of pension net fund liability.

Due to delays in the completion of prior year audits and publication of the 2023/24 statements of accounts, we have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude and finalise the Audit Plan for the year ended 31 March 2024.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We set out in the indicative Audit Plan materiality of £651k for the group and £650k for the Council which equated to 1.5% of your unaudited 2022/23 gross operating expenditure.

Due to delays in the completion of prior year audits and publication of the 2023/24 statements of accounts, we have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude and finalise the group and Council materiality.

Key financial reporting and audit issues identified during the audit

As we have not undertaken any detailed work in respect of this year's financial statements audit, there are no issues we need to draw to your attention.

Going Concern

As auditors, we are required to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern (ISA (UK) 570).

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by a local authority meets this criteria, and so where undertaking work on your audit, we would normally expect to apply the continued provision of service approach. In doing so, we would consider and evaluate:

- the nature of the authority and the environment in which it operates
- the authority's financial reporting framework
- the authority's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

Risk Assessment and Planning Procedures

As part of our planning procedures, we performed risk assessment of the Council to identify and assess the risk of material misstatement, whether due to fraud or error, by obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to management and they are summarised below:

Lack of proper approval system for journals: In our review of the journals business process we concluded that there is lack of segregation of duties in the approval process for manual journals. When we documented the authority's business process for posting manual journals, it was evident in the control environment that users can input and approve their own journal entries without a further approval or review process. We note that there was no evidence that management override of controls had occurred due to this.

Risk: management could override controls via manual journal approval without proper oversight. This could result in inaccurate financial reporting, fraud, or other financial irregularities. There is a risk of manipulation of the financial data by posting unauthorized or unapproved transactions.

We would recommend that the Council implements a control so that there is a segregation of duties between journal posters and authorisers. This would mean that manual journals are all reviewed and approved prior to posting into the General Ledger. This would be an appropriate mitigation against the risk of management override of controls. Management have stated that as part of the implementation of a new Financial Management System that an IT system segregation of duties between journal posters and authorisers will be implemented, but in the meantime management accept the risks around the current arrangements.

Inadequate control over privileged/generic accounts within Total Finance: In our IT General Controls planning work we concluded that there was a significant deficiency in IT controls related to Security Management for Total Finance. This related to a segregation of duties conflict due to finance users having access to administrative privileges. The risk which we highlighted was that those users with administrative privileges at application level have the ability to bypass system-enforced internal control mechanisms and may compromise the integrity of financial data.

Risk: The excessive use of accounts with privileged access increases the risk of them being able to:

- *change system configuration settings without authorization and approval;*
- *read and modify sensitive data; and*
- *create, modify or delete user accounts without authorization.*

We recommended that Management should undertake a review of privileged user accounts on the application & supporting database to identify all generic/ individual privileged accounts. For each account identified management should confirm the:

- requirement for the account to be active and be assigned privileged access. Assess if account privilege or user responsibilities can be realigned;
- appropriate users have access to generic accounts; and
- controls in place to safeguard the account from misuse. E.g. Account activity logging & monitoring.

We note management's response that set out an understanding of the risks, but also the limitation in the size of teams meaning that it is difficult to achieve true segregation of duties. A reasoning was set out that for succession reasons and due to the complexity, time and admin required for each user set-up, the authority has decided to increase the number of Finance users with admin privileges to 3 in order to address this problem. Management have stated that they fully accept the risks of the current set-up for users but will look to bring in additional controls and will review the current set-up as part of the implementation of a new Financial Management System once it is procured.

Other matters which we are required to report on to those charged with governance

We are required to confirm the following:

- We have not been made aware of any incidents of fraud in the period and no issues have been identified during the course of our audit procedures.
- We are not aware of any related party transactions which have not been disclosed.
- We are not aware of any significant incidences of non-compliance with applicable laws and regulations.

Matters in relation to the Group audit

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

We are not aware of any significant changes within the group. The Council has material interests in the subsidiaries below (which are 100% owned by the Council) and therefore are required to produce consolidated group accounts including these entities:

- RBC Investments (Surrey) Limited (Targeted procedures – Investment properties)
- RBC Services (Addlestone One) Limited (analytical procedures)
- RBC Heat Company Limited (analytical procedures)

Our approach to group audit scope and risk assessment includes undertaking specified audit procedures relating to risks of material misstatement of the group financial statements and analytical procedures at group level.

As we have not undertaken any detailed work in respect of this year's financial statements audit for the reasons set out at the beginning of this report, there are no issues we need to draw to your attention.

Audit fees and non audit fees

PSAA set a scale fee for this year's audit of £207,301. Based on the work completed to date the final fee for the audit is **£117,737** and is analysed as follows:

Value for Money work:	£18,000
Audit Planning:	£58,530
IT General Controls design and implementation work and reporting:	£17,660
Work connected to the new ISA315 standard:	£5,887
Audit reporting:	£17,660
Total	£117,737*

*The Audit fee is subject to PSAA approval

The draft unaudited financial statements Note 26 External Audit Fees disclosed audit fees of £227k. This is made up of core audit fee of £200k and £27k for non-audit fee. The fees reconcile to the financial statements as follows:

	Amount £
Note 26 External audit fees	227
Reconciling item i – audit fee	118
Reconciling item ii – fee for certification of grants	27**
Sub total	145
Reconciling item iii – fee variation	82
Total	227

**Grant Thornton UK LLB are not the appointed auditor for certification of grants at the time of writing

Ethical Standards require us to draw your attention to relevant information on recent non-audit / additional services before we were appointed as auditor. We have not provided Runnymede Borough Council with any additional services prior to the appointment as Auditors.