



Our ref:  
Your ref:

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Chief Executive  
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cc: Brendan Arnold – interim S151 Officer

5 July 2023

Dear Julie

## Woking Borough Council - External Audit 2023/24 - Additional Value for Money Work

Following recent conversations between Grant Thornton and the Council, I am writing to inform you that we plan to undertake additional Value for Money (VfM) work which will relate to our appointment as the Council's external auditors from the 2023/24 audit year.

The purpose of this work will be to draw conclusions on the key lines of enquiry set out below, and if necessary, determine the extent to which further action is required by the Council, in order for us to reach a satisfactory conclusion of our audit on VfM and to fulfil our responsibilities as external auditor. Our work is undertaken in accordance with the Local Audit and Accountability Act 2014, sections 20 and 24, and may result in Statutory Recommendations or a Public Interest Report.

We expect the initial work to be delivered between June and August 2023 and this timescale will be kept under review as the work progresses. If significant weaknesses are detected, further work may be required in order to discharge our responsibilities.

The work will be conducted by senior members of our team. The lead member of the team will be Guy Clifton. Guy is a Director, in our public sector assurance practice and leads our local government VfM work nationally. He will be supported as required by senior colleagues with appropriate experience.

### Background and Context

On 25 May 2023 Lee Rowley the Minister for Local Government announced the government's intervention in the Council, following the completion of a DLUHC commissioned external assurance review. This was followed on 7 June 2023 by the Council's interim Section 151 Officer laying a Section 114 Notice following statutory consultation with you as the Council's Head of Paid Service and the Council's Monitoring Officer, and a briefing of the Council's Executive.

The Section 114 Notice summarises the Council's current financial position, which concerns decisions and actions taken over a long period of time relating to the Council's Investment Strategy. This has resulted in unaffordable borrowing, inadequate steps to repay that borrowing, and high values of irrecoverable loans.

The Council faces a financial situation of an extremely serious nature with an unprecedented financial shortfall - a forecast negative value of the General Fund at 31 March 2024 estimated to be £1.2 billion - that cannot be funded from resources available to the Council.

The issuing of the Section 114 Notice will lead to stringent financial controls being introduced to limit Council spending, and the Council is in dialogue with Government over potential financial support. The Council has asked Grant Thornton, as their incoming external auditors, to undertake an urgent review of the Council's governance arrangements relating to the Council's investment strategy.

### **Key lines of enquiry**

Whilst this work relates to our appointment as the Council's external auditors from the 2023/24 audit year, we will need to focus on previous audit periods in order to make our findings, conclusions, and recommendations. We understand that there has been no VfM work undertaken by the Council's previous external auditors since 2018/19.

The lines of enquiry for our additional work will focus on the following:

- Establishing a clear timeline of the key decisions relating to the Council's Investment Strategy, including decisions on the financing of the Strategy, and responsibilities for the decisions and actions taken.
- The Council's governance arrangements and processes in place for making effective decisions in relation to the Investment Strategy, and the effectiveness of the scrutiny of these decisions, including the appropriate assessment and management of risk and the regard given at the time these decisions were made to the regulatory regime in place at the time.
- The Council's approach to the implementation of the Investment Strategy, including business cases developed and approved, and investment structures adopted, including via council-controlled companies.
- The Council's financial planning assumptions and decisions made in relation to the Investment Strategy, including debt repayment assumptions including the appropriateness of decision making in relation to Council's Minimum Revenue Provision (MRP) policy.
- The Council's governance arrangements in place for the monitoring and reporting of the implementation of the Investment Strategy and associated finances.

During our review, we will have regard to the following issues and include any findings identified in our report:

- The Council's leadership and culture at the time key decisions in relation to the Investment Strategy were made.
- The extent to which the financial control environment has led to increased risks of fraud, and whether the Council has set a revenue budget that did not balance for any of the financial periods since the Investment Strategy was introduced.

We are aware that several other reviews have taken place or are currently being conducted which relate the scope of our work. We will have regard to the findings of these other reviews where available and appropriate, but our findings will be based on our judgements as the Council's external auditors.

### **Our approach**

We will submit an information request for key documents and then undertake interviews with key stakeholders. Given changes to individuals in senior leadership roles at the Council we will need to try and interview former officers and former elected members relevant to the focus of our work. We may need your assistance in obtaining current contact details in such circumstances. We would hope such requests lead to engagement in our work. If this were not the case, we would need to consider using our auditor's powers to compel stakeholder engagement, but this is something we will always seek to avoid.

We will then draft a report setting out our findings and recommendations, and a draft will be shared and discussed with you prior to finalisation.

Once concluded our findings will also be summarised in the Auditor's Annual Report for 2023/24.

The costs to the Council of this work will be agreed with the Council and PSAA. As already noted, if significant weaknesses are detected, further work may be required to discharge our responsibilities.

Please feel free to contact me if you would like clarification on any point.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Joanne Brown', with a stylized, cursive script.

Joanne Brown

Key Audit Partner

For Grant Thornton UK LLP