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Legal and Democratic Services



To: All Members of the Audit, Crime & Disorder and Scrutiny Committee

Dear Councillor

**AUDIT, CRIME & DISORDER AND SCRUTINY COMMITTEE - THURSDAY, 17TH
SEPTEMBER, 2020 ,**

<https://attendee.gotowebinar.com/register/7826217523376932879>

Please find attached the following report for the meeting of the Audit, Crime & Disorder and Scrutiny Committee to be held on Thursday, 17th September, 2020.

3. **ANNUAL GOVERNANCE STATEMENT 2019/20** (Pages 3 - 38)

This report seeks the Committee's approval of the draft Annual Governance Statement for 2019/20 and that it receives the Annual Internal Audit Report & Opinion for the year ended 31 March 2020.

For further information, please contact Democratic Services, 01372 732122 or democraticservices@epsom-ewell.gov.uk

Yours sincerely

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Chief Executive

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ANNUAL GOVERNANCE STATEMENT 2019/20

Head of Service:	Gillian McTaggart, Head of Policy, Performance & Governance
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Appendices (attached):	Appendix 1: Draft Annual Governance Statement 2019/20 Appendix 2: Internal Audit Annual Report & Opinion 2019/20

Summary

This report seeks the Committee's approval of the draft Annual Governance Statement for 2019/20 and that it receives the Annual Internal Audit Report & Opinion for the year ended 31 March 2020.

Recommendation (s)

The Committee is asked to:

- (1) Approve the 2019/20 Annual Governance Statement (AGS) as set out in Appendix 1, prior to it being signed by the Chief Executive and the Chairman of the Strategy & Resources Committee on behalf of the Council.**
- (2) Receive the Annual Internal Audit Report & Opinion 2019/20 as set out in Appendix 2.**
- (3) Give delegated authority to the Chief Finance Officer to make any required amendments to the AGS prior to its submission with the Statement of Accounts.**

1 Reason for Recommendation

- 1.1 To comply with the Accounts and Audit Regulations 2015, the Council must prepare an annual statement which covers its whole internal control environment. This statement, the Annual Governance Statement (AGS) forms part of the annual financial statements.

- 1.2 In addition there is a requirement in the Accounts and Audit Regulations for an internal audit function in local government to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance.
- 1.3 The Head of the Southern Internal Audit Partnership is responsible for the delivery of an annual opinion and report that is used to inform the Annual Governance Statement.

2 Background

- 2.1 Our governance arrangements aim to ensure that we set and meet objectives, act lawfully, openly and honestly. In addition, all monies and resources are accounted for, safeguarded and used economically, efficiently and effectively.
- 2.2 The AGS is an important document which provides assurance concerning these governance arrangements, both financial and non-financial. It is prepared on an annual basis for inclusion in the Statement of Accounts. Before the Chief Executive and Chairman of the Strategy & Resources Committee certifies the statement it is presented to the Audit, Crime & Disorder and Scrutiny Committee for approval.
- 2.3 The AGS is normally presented to this Committee in June each year to meet the 31 July statutory timetable for the publication of the AGS and final, audited accounts. Due to the onset of COVID-19, the timetable for the publication has been pushed back by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 with final publication now due by 30 November 2020.
- 2.4 The Strategy & Resources Committee is due to consider the final accounts and AGS for 2019/20 on 22 September 2020.
- 2.5 The draft AGS for 2019/20 is attached at **Appendix 1**.
- 2.6 This statement is underpinned by the Head of Internal Audit’s Annual Opinion 2019/20 as contained in the Annual Internal Audit Report & Opinion provided by Southern Internal Audit Partnership (SIAP) which is attached at **Appendix 2**.

Annual Governance Statement

- 2.7 The Head of Policy, Performance and Governance has drafted the statement in consultation with the Chief Finance Officer, Monitoring Officer and Chief Executive. The Leadership Team contributes through the Divisional Assurance Statements. The Head of Internal Audit’s opinion is included and provides independent assurance over the systems of internal control.

- 2.8 Although the majority of 2019/20 was not impacted by COVID-19, the on-going pandemic has impacted on governance issues during the final days of 2019/20 and in line with guidance this has been captured within the draft AGS.
- 2.9 An action plan has been prepared to capture the issues raised throughout the review process. The action plan is part of the AGS. An update on progress made against the actions will be reported to this Committee later this year.

Annual Internal Audit Report & Opinion

- 2.10 The Annual Internal Audit Report & Opinion is a critical document in preparing the AGS. The report sets out the work undertaken, breadth of coverage and key observations. The Head of Internal Audit's has concluded that he is

“Satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Epsom & Ewell Borough Council's internal control environment. In my opinion Epsom & Ewell Borough Council's framework of governance, risk management and control is Adequate 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.”

- 2.11 This report is normally scheduled to go to the Committee in June however the committee calendar was suspended due to the Covid 19 lockdown and the Council need to focus on as a responder under the Civil Contingency legislation. As set out in para 2.3 above, to support all local authorities, regulations extended the deadline for approving the Annual Governance Statement. The Committee will receive a full update on the audit programme at its meeting in November with the Audit Plan for 2020/21.

3 Risk Assessment

Legal or other duties

3.1 Impact Assessment

3.1.1 There are no specific equality implications associated with this report.

3.2 Crime & Disorder

3.2.1 There are no specific crime and disorder implications associated with this report.

3.3 Safeguarding

3.3.1 There are no specific safeguarding implications associated with this report.

3.4 Dependencies

3.4.1 Before final publication of the AGS and audited accounts for the year ended 31 March 2020, the AGS must have been certified by the Chief Executive and Chairman of the Strategy & Resources Committee. This follows consideration of the draft statement by the Audit, Crime & Disorder and Scrutiny Committee.

3.4.2 The content of the AGS is, in part, dependent upon the findings of the Head of Internal Audit's Annual Opinion 2019/20.

3.5 Other

3.5.1 There are no other implications associated with this report.

4 Financial Implications

4.1 There are no financial implications arising through the preparation and publication of the Council's AGS.

4.2 **Section 151 Officer's comments:** None arising from the contents of this report.

5 Legal Implications

5.1 In order to comply with Regulation 6 of the Accounts and Audit Regulations 2015, the Council must prepare and approve an Annual Governance Statement.

5.2 Regulation 10 of the 2015 Regulations requires the Council to publish the Annual Governance Statement alongside the adopted statement of accounts.

5.3 As a result of the effect of COVID19 Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 were passed to extend the dates of the 2019/20 audit deadlines and publication dates.

5.4 **Monitoring Officer's comments:** none arising from the contents of this report.

6 Policies, Plans & Partnerships

6.1 **Council's Key Priorities:** The following Key Priorities are engaged:

6.1.1 Effective Council – Engaging, responsive and resilient Council.

- 6.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.
- 6.3 **Climate & Environmental Impact of recommendations:** no relevance for the purposes of this report.
- 6.4 **Sustainability Policy & Community Safety Implications:** no relevance for the purposes of this report.
- 6.5 **Partnerships:**Not applicable. .

7 Background papers

- 7.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Annual Governance Statement 2018/19, Audit, Crime & Disorder and Scrutiny Committee 25 June 2019,

Other papers:

- Internal Audit Plan 2019/20, Audit, Crime & Disorder and Scrutiny Committee 16 April 2019
- Internal Audit Progress Report, Audit, Crime & Disorder and Scrutiny Committee 21 November 2019 and 6 February 2020.
- Annual Governance Statement and External Audit Findings, Audit, Crime & Disorder and Scrutiny Committee 21 November 2019

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ANNUAL GOVERNANCE STATEMENT – 2019/2020

1.0 Introduction

- 1.1 This is the Council's Annual Governance Statement for 2019/20. It provides an opinion on the Council's governance arrangements, a review of the effectiveness of the governance statement, an update on the actions agreed in last year's statement and issues identified in 2019/20.
- 1.2 The Council adopted a Code of Corporate Governance which reflects the principles and is consistent with the CIPFA/SOLACE Framework, "Delivering Good Governance in Local Government" 2016. This framework requires that local authorities are responsible for ensuring that:
- Their business is conducted in accordance with all relevant laws and regulations.
 - Public money is safeguarded and properly accounted for.
 - Resources are used economically, efficiently and effectively to achieve priorities which benefit the local authority.
- 1.3 All Councils are required to produce an Annual Governance Statement (AGS) and review their governance arrangements at least once a year. The Accounts and Audit (Amendment) Regulations 2020 have amended the timing of the review and publication of the 2019/20 financial statements.
- 1.4 The majority of 2019/20 was not impacted by Covid, with Epsom and Ewell Borough Council as part of the Surrey Local Resilience Form declaring an emergency on 19th March 2020.

2 Corporate Governance

- 2.1 Corporate governance is the process by which the Council directs, controls and is held to account. The Council's governance framework aims to ensure that in conducting its business it:
- Operates in a lawful, open, inclusive and transparent manner;
 - Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
 - Has effective arrangements for the management of risk and;
 - Secures continuous improvements in its governance

- 2.2 Strategy & Resources Committee approved the Council's Code of Corporate Governance on 4 April 2017. The Code is based on the seven new principles within the Chartered Institute of Public Finance (CIPFA)/ Society for Local Authority Chief Executives (SOLACE) Framework 2016. The Code summarises the Council's internal arrangements; each section looks at how the Council accounts for the principles. The Council acknowledges that it is responsible for ensuring that there is a sound system of governance and internal control compliant with its adopted principles within the local code. A high level summary is included in this document.

3 Compliance with the Principles

3.1 PRINCIPLE A- Behaving with Integrity, demonstrating strong ethical values and respecting the law

This is achieved by:

- 3.2 The Council's Constitution lays out compliance with legislation and includes;
- Codes of conduct which define our standards and behaviour and deals with Conflicts of interest
 - Whistleblowing procedures
 - Financial Regulations and Contract Standing Orders
 - Anti-Fraud and Corruption Strategy and the Anti-Bribery Policy
 - Rules relating to Members external interests
 - Rules relating to Gifts and Hospitality
 - Codes of Conduct for Members and Officers
 - Scheme of Delegation to officers
 - Information Security Policy
 - Information Governance Policy
 - Money Laundering Policy

- 3.3 The Monitoring Officer has specific responsibility for ensuring legality and investigating issues to ensure compliance with laws and regulations.

3.4 PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement.

This is achieved by:

- 3.5 Documenting a commitment to openness and acting in the public interest.
- 3.6 Establishing clear channels of communication with different sectors of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- 3.7 Ensuring an effective scrutiny function is in place.

3.8 PRINCIPLE C - Defining outcomes in terms of sustainable economic, social and environmental benefits.

This is achieved by:

- 3.9 Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

3.10 PRINCIPLE D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

This is achieved by:

- 3.11 Translating the vision into courses of action for the Council, its partnerships and collaborations.

- 3.12 Reviewing the effectiveness of the decision making framework, including delegation arrangements, decision making in partnerships, information provided to decision makers and robust data quality.

- 3.13 Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they meet the agreed use of resources and value for money.

3.14 PRINCIPLE E- Developing the Council's capacity, including the capability of its leadership and the individuals within it.

This achieved by:

- 3.15 Defining and documenting the roles and responsibilities of members and management with clear protocols for effective communication in respect of the Council and partnership arrangements.

- 3.16 Ensuring effective arrangements are in place for discharging the duties of the Head of Paid Service.

- 3.17 Providing induction and identifying the development needs of members and senior management.

3.18 PRINCIPLE F - Managing risks and performance through robust internal control and strong public financial management.

This is achieved by:

- 3.19 Reviewing the effectiveness of the framework for identifying and managing risks and for performance and then demonstrating clear accountability.

- 3.20 Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on managing the risk of fraud and corruption (CIPFA 2015).

3.21 Independent review of the internal controls by Internal Audit when carrying out assessments of key activity areas.

3.22 PRINCIPLE G - Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

This achieved by:

3.23 Ensuring that assurance arrangements conform to the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit (2010) and where they do not, explain why and how they deliver the same impact.

3.24 Undertaking the core functions of an audit committee, as defined in audit Committee, Practical Guidance for Local Authorities and Police (CIPFA 2013).

3.25 Ensuring that the Council provides timely support and information and responses to external auditors and properly considers audit findings and recommendations.

4. How do we know that our arrangements are working?

4.1 The Code of Corporate Governance requires assurance upon:

- Delivery of the Council's Corporate Plan and the Key Priorities
- Services delivered economically, efficiently and effectively
- Management of risk
- Financial planning and performances
- Effectiveness of internal controls
- Community engagement and public accountability
- Project management and project delivery
- Governance of shared services and alternative services delivery modules
- Procurement processes
- Roles and responsibilities of members and officers
- Standards of conduct and behaviour
- Training and development of members and officers
- Compliance with laws and regulations, internal policies and procedures
- Records keeping

4.2 Sources of Assurance

- Constitution and scheme of delegation
- Council Meetings and Full Council
- Corporate Plan and Service delivery plans
- Performance Management Framework
- Risk Management Framework
- Project Management methodology
- Medium Term Financial Strategy and budget monitoring

- Complaints Policy
- HR Policies and procedures
- Whistleblowing policies
- Organizational Development Strategy
- Training for Members and Officers
- External Audit and Internal Audit
- Role of Head of Paid Service (Chief Executive), Section 151 Officer (Chief Finance Officer) and Monitoring Officer (Chief Legal Officer)
- Member Officer Protocol
- Role of Audit, Crime & Disorder and Scrutiny Committee.

4.3 Assurances Received and Review of Effectiveness

- All Heads of Service are required to complete a Divisional Assurance Statement.
- The Statutory Officers were consulted on the review process and their roles and responsibilities and consulted on the outcome.
- The Chief Executive and the Chair of Strategy and Resources sign the AGS.
- Any frauds reported and complaints to the Ombudsman are reviewed.
- The Head of Internal Audit's Opinion for 2019/20 is taken into account, and comments made by external audit and other external reviews.
- Performance and performance indicators are reviewed.
- We have made progress in implementing the action plan from 2018/19, as set-out in section 15.
- The Leadership Team assists with good governance in delivering key services and making corporate decisions and monitors performance.
- Key management roles are defined and are within the Leadership Team.
- The Council's finances are driven through the Medium Term Financial Strategy. The Council sets an annual budget which is regularly monitored and reviewed and the Council's financial systems and processes are regularly audited.

4.4 Opportunities to improve

This AGS builds upon previous AGS's. All the key governance mechanisms remain in place. This documents includes any changes to the key governance systems and an update of the significant governance arrangements in 2019/20.

5 The Council and how it functions

5.1 The Council is a committee authority where policies and decisions are determined and scrutinized.

5.2 The Council has the following committees in place: Audit, Crime & Disorder and Scrutiny, Licensing and Planning Policy, Community & Wellbeing, Environment and Safe Communities, Strategy & Resources, Planning and Standards.

- 5.3 The Council's Regulatory and Advisory Committees/Panels include: Licensing (Hearing and General) Panels, the Appointments Panel, Financial Policy Panel, Health Liaison Panel, Human Resources Panel and the Shareholder Sub-Committee.
- 5.4 In addition the joint committees and outside bodies include: Epsom and Walton Downs Conservators, Epsom & Walton Downs Consultative Committee and the Nonsuch Park Joint Management Committee.
- 5.5 The Constitution sets out the roles and responsibilities and there is a terms of reference for each committee/body.
- 5.6 Meetings are open and all agenda papers, reports and decisions can be found on the Council's website and partnership risks are identified in committee reports. Details of all consultations and surveys are also available. The Council's budget and financial statements are available through the website. The website also highlights all completed and approaching public consultations.
- 5.7 The management structure is available on the Council's website. The Chief Executive is the Head of Paid Service. In 2018 the Council added the role of Chief Operating Officer. These posts meet regularly and also are part of the Leadership Team.

6 Significant operational events in 2019/20

- 6.1 During 2019/20 the Council agreed a long term Vision for the Borough and a new four year plan setting the council's priorities for 2020 to 2024. They also agreed a range of supporting plans to support these priorities including the Health & Wellbeing Strategy, Community Safety Plan and a Climate Change Plan with targets to cut the council's environmental impact.
- 6.2 The other operational impact is that of Covid-19 and the significant call upon resources to respond to this emergency. Due to the limited number of staff, this and the new areas of responsibility are likely to have a significant impact on services and our ability to deliver over the next year.

7 Covid-19 – Impact on Governance

- 7.1 With significant operational disruption, new emergency responsibilities, staff absence and staff working at home, conducting this review has recognised the challenges. The main impact will be in 2020/21 but this has impacted both our governance and our business as usual arrangements in 2020/21.
- 7.2 Council officers attended meetings facilitated through the Surrey Local Resilience Forum which brought together local authorities and other agencies in the response effort.

- 7.3 The delivery of the internal audit plan was impacted but has not affected the ability to provide a Head of Internal Audit's year end opinion.

New areas of governance

- 7.4 The Council created a Community Hub on 24 March 2020 to provide support to vulnerable residents and the protocols and processes were all documented.
- 7.5 The Council also put in place processes to pay grants to eligible businesses in accordance with government guidelines. Processes were created using a risk based approach. Internal Audit have provided updates and advice on national fraudulent activity. These areas will be audited within 2020/21.
- 7.6 The approved calendar of meetings was initially suspended, with new protocols for holding virtual meetings agreed and meetings operated as required.
- 7.7 The internal audit plan for 2020/21 has been updated to give additional assurance over arrangements during the Covid-19 pandemic.

8 Managing Risks

- 8.1 All Members and officers are responsible for ensuring that the risk implications are considered and included when making decisions and planning services. To deliver services and key priorities the Council must manage its risks and opportunities.
- 8.2 Significant risks are recorded in the Leadership Risk Register which is managed and monitored. The Leadership Team reviews this every 6 months. The risk register is used to formulate the internal audit plan. The service risks are identified from the Divisional Assurance Statements completed by the Heads of Services. The Risk Management Framework is reviewed annually and was reported to Audit Crime & Disorder Committee in November. The Leadership Risk Register is currently being refreshed to reflect the on going impact of Covid-19 and the risks are recorded for covid secure and the recovery.
- 8.3 The Council's IT systems are regularly audited and the Council has an IT Security & Acceptable Use Policy and IT Information Assurance Policy.

9 Managing Fraud

- 9.1 The Council's Whistleblowing Policy is part of the Constitution which is available on the Council's website. The Council also has an Anti-Fraud and Anti-Corruption Strategy which supports the culture of honesty and opposing fraud and corruption. This strategy was last reviewed May 2019.

10 Managing Resources

- 10.1 The Council continues to manage the effect of austerity measures and now Covid-19 through its Medium Term Financial Strategy and has introduced some new initiatives.
- 10.2 The Council is required to set a balanced budget on an annual basis. The budget sets out how much money will be spent on services, invested in projects and the level of Council tax for individual residents. The level of Council Tax also includes tax required by Surrey County Council and Surrey Police & Crime Commissioners Office although it has no control over the amount set by these bodies.

11 Responsibility of the Chief Financial Officer

- 11.1 The Chief Finance Officer is responsible for delivering and overseeing the financial management arrangements for the Council. He is part of the Council's Leadership Team and reports direct to the Chief Executive. These arrangements, both in design and in day to day practice, enable the financial aspects of material business decisions to be given due weight.
- 11.2 The Council maintains an effective system of financial control which is clearly set out within the Council's financial regulations and procedure rules. Control and oversight is facilitated by an effective internal audit function and underpinned by a strong culture of careful management of public money demonstrated by all managers. The effectiveness of the control environment can be evidenced through the Council's recent history of financial outturns and the timeliness and quality of the financial statements and other financial returns.
- 11.3 The Chief Finance Officer is the Council's S.151 Officer and in accordance with the statutory requirement has the relevant accountancy qualification and significant local government experience. In the opinion of the Chief Finance Officer, the Council's finance function is adequately resourced and contains a mix of staff with the appropriate levels of professional qualifications and experience.
- 11.4 The Chief Finance Officer is involved in the preparation of the Annual Governance Statement.

12 Managing Performance

- 12.1 The Council's performance management arrangements use a RAG system (red/amber/green). Targets are set annually based on the Council's Corporate Plan. The relevant Heads of Service and Committee Chairmen are consulted on proposed targets. The Audit, Crime & Disorder and Scrutiny Committee receives and reviews all key priority targets, although accountability rests with the relevant Head of Service. A report on performance against the 2019/20 year end key priority targets has not yet been finalised due to the impact of Covid-19, but will be reported to committee in November 2020.

13 Stakeholder Engagement

- 13.1 The Council has a two stage procedure for addressing complaints. This is clearly laid out in our procedure backed by the customer charter. In 2019/20, 502 complaints were received, of these 73% were resolved within 15 days. 39 complaints escalated to Stage 2 and of these 64% were resolved within 15 days. There was an improvement in both the number of Stage 1 and Stage 2 complaints resolved in 15 days from 2018/19 The number of complaints to the Ombudsman forms part of this procedure and an annual report is received. For 2020 the Ombudsman reported that a total of 12 complaints were referred to the Ombudsman with none upheld.
- 13.2 Data is published on the website to meet the requirements of the Local Government Transparency Code. An audit undertaken in 2019/20 on information governance has rated arrangements on transparency as adequate but identified some gaps.
- 13.3 During 2019/20 the Council has engaged with residents, visitors and local businesses on Future 40 to develop a long term vision for the Borough through a series of events, consultations and forums.

14 Internal Audit and External Audit Assurance

- 14.1 Internal audit is a key element of the governance arrangements and provides an independent, risk based approach.
- 14.2 Internal Audit is now delivered by the Southern Internal Audit Partnership (SIAP). SIAP was established in 2012 and is hosted by Hampshire County Council and is one of the largest providers of public sector internal audit in the region.
- 14.3 SIAP have been externally assessed as compliant with the Public Sector Internal Audit Standards. In September 2015 the Institute of Internal Auditors were commissioned to complete an external assessment of the SIAP. In accordance with these practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor provides a written status report to the Leadership Team and the Audit, Crime & Disorder and Scrutiny Committee, summarising the status of 'live' internal audit reports; an update on progress against the annual audit plan; a summary of internal audit performance, planning and resourcing issues; and a summary of significant issues that impact on the Chief Internal Auditor's annual opinion. Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk, management, control and governance designed to support the achievement of management objectives of the service area under review.
- 14.4 The majority of the revised internal audit programme had been completed in 2019/20 but due to the challenge of Covid-19 a number of audits were delayed in being finalised. The internal audit plan for 2020/21 will ensure adequate coverage for 2020/21 incorporating adequate level of IT coverage. The Head of Internal Audit's opinion is stated below:

Annual Internal Audit Opinion 2019-20

"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Epsom & Ewell Borough Council's internal control environment.

In my opinion, Epsom & Ewell Borough Council's framework of governance, risk management and control is 'Adequate' 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."

- 14.5 The Audit, Crime & Disorder and Scrutiny Committee carries out the role of an Audit Committee as identified in CIPFA's "Audit Committees – Practical Guidance for local authorities". The Committee produces an Annual Report to Council which covers the work of internal audit. This Committee meets throughout the year and monitors specific areas of governance including performance management, risk management and internal audit; it receives the Head of Internal Audit's Year end opinion. As a Scrutiny Committee, it also conducts a number of specific reviews.
- 14.6 In 2019/20, the Committee met 4 times and reviewed progress against the audit plan, progress in implementing recommendations, and risk management arrangements. The Committee annually reviews how effective it has been in overseeing the arrangements in their annual report to Council. Due to Covid-19, the annual report for 2019/20 has not yet been presented to Council, but will be brought forward to full Council during 2020/21.
- 14.7 External Audit is provided by Grant Thornton, who were appointed through Public Sector Audit Appointments Ltd (PSAA). The statutory accounts have been audited and Grant Thornton have issued an unqualified opinion and value for money assurance.

15 Issues from 2018/19

- 15.1 The implementation of the actions identified in 2018/19 have been monitored and reported in detail to the Audit, Crime & Disorder and Scrutiny Committee as part of the arrangements for approving the AGS.

Issues identified for 2018/19	Action taken
As a result of the restructure, staff changes and legacy IT issues there is a need to review and align business continuity plans and the arrangements for disaster recover	All Business Continuity Plans were updated as a result of the Covid-19 Pandemic Emergency Plan being approved by the Leadership Team in February 2020.

<p>Although elements of the Constitution have been revised and a number policies and procedures have been updated, several remain out of date including fraud polices and HR policies</p>	<p>The People Framework and 29 associated documents was approved by Strategy & Resources in January. There were also significant changes to pay structure, performance management and the behavior framework. Work on the job evaluation scheme is currently on-going. This work will support the Council to achieve its objectives and create a culture of accountability and flexibility.</p> <p>The Constitution and fraud procedures have been updated but work will be ongoing to improve policies and the policy framework.</p>
<p>Implement the Members' Induction programme for 2019/20 as a result of the May 2019 elections</p>	<p>This was implemented and a number of Members Briefings were held on a range of topics.</p> <p>Further development work will be undertaken to assess Member training requirements</p>
<p>The Council remains under financial pressure, implementing its Income Generation Plan and carrying external debt following acquisition of investment property</p>	<p>A new MTFS has been agreed for 2020/21 to 2023/24.</p> <p>However the subsequent impact of Covid and associated financial losses is being assessed. Both short and long term implications are being evaluated with reports to Strategy & Resources Committee and Full Council in July 2020.</p>
<p>Some areas are unclear on the decision making process to ensure the correct authorities are obtained either through committee reports or delegated authority</p>	<p>The form for delegated authority has been reviewed and updated and further work on decision making was planned for 2020.</p>

16 Conclusion and significant governance issues 2019/2020

- 16.1 The Council is satisfied that the appropriate governance arrangements are in place, however it remains committed to maintaining and where required improving those areas. The key issues to be addressed in 2019/20 are listed below and these will be reviewed and monitored with a detailed action plan.

Issues identified for 2019/20	Action taken
The financial impact of Covid and further losses in future years depending on the outcome of the fair funding review and funding available.	The Council is monitoring budgets closely and utilising government financial support and grants. A new budget will be produced for 2021/22.
Organisational capacity was significantly challenged whilst responding to the emergency and this will continue for a number of months.	The Service delivery plan for 2020/21 has been reviewed and significantly reduced to reflect the reduced capacity and backlogs in some areas. Capacity will be monitored in reviewing performance and in planning for potential local lockdowns and second waves.
The updated Local Plan programme as agreed in June 2019 was delayed by Covid which delayed the Regulation 18 consultation.	A new timetable has been agreed for the Local Plan. There is no impact on the deadline for the estimated date of adoption.
Emergency response to Covid-19.	A report on lessons learnt from the Covid-19 pandemic will be taken to the Audit, Crime & Disorder and Scrutiny Committee in February 2021. Operational protocols and guidance notes have been produced for the Community Hub. Procedures were established for other new work streams such as discretionary grants, business grants and rates relief, which will be audited in 20/21.
Review and strengthen compliance with policies, procedures and legislative requirements for procurement.	This is an on-going area for improvement. The Contract Standing Orders are being reviewed and the Contract Register is being refreshed to ensure it contains all necessary and up to date information. A procurement pipeline and action plan is being developed
Significant work has been undertaken on the health and safety framework in 19/20, but there is additional risks to be managed due to the impact of the Covid Secure requirements.	Ongoing monitoring and auditing of the risks will continue to be undertaken through the Corporate Health and Safety Group, and is within the Council's existing risk registers.
Due to Covid-19, the annual performance report against the 2019/20 key priority targets has not yet been finalised	The 2019/20 year-end performance report will be presented to the Audit, Crime & Disorder and Scrutiny Committee in November 2020.
The launch of the Council's new	The Vision and Four Year Plan will be

Vision and Four Year Plan, which were agreed in February 2020, has been limited by Covid-19.	communicated in 2020/21 and work commenced with partners to achieve the strategic objectives.
Due to Covid-19, the annual report from Audit, Crime & Disorder and Scrutiny Committee on the work of internal audit in 2019/20, has not yet been presented to Full Council.	The report will be produced and presented to Full Council during 2020/21.
The Council's Equality and Diversity Policies are in need of updating.	Updated policies will be brought before Strategy and Resources Committee for approval in 2020/21.

Statement of the Chair of Strategy and Resources & Chief Executive

We have been advised of the result of the review of the effectiveness of the arrangements by senior officers and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Signed:

.....

Chair of Strategy and Resources

Date

Signed:

.....

Chief Executive

Date

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Annual Internal Audit Report & Opinion

2019 - 20

Epsom & Ewell Borough Council



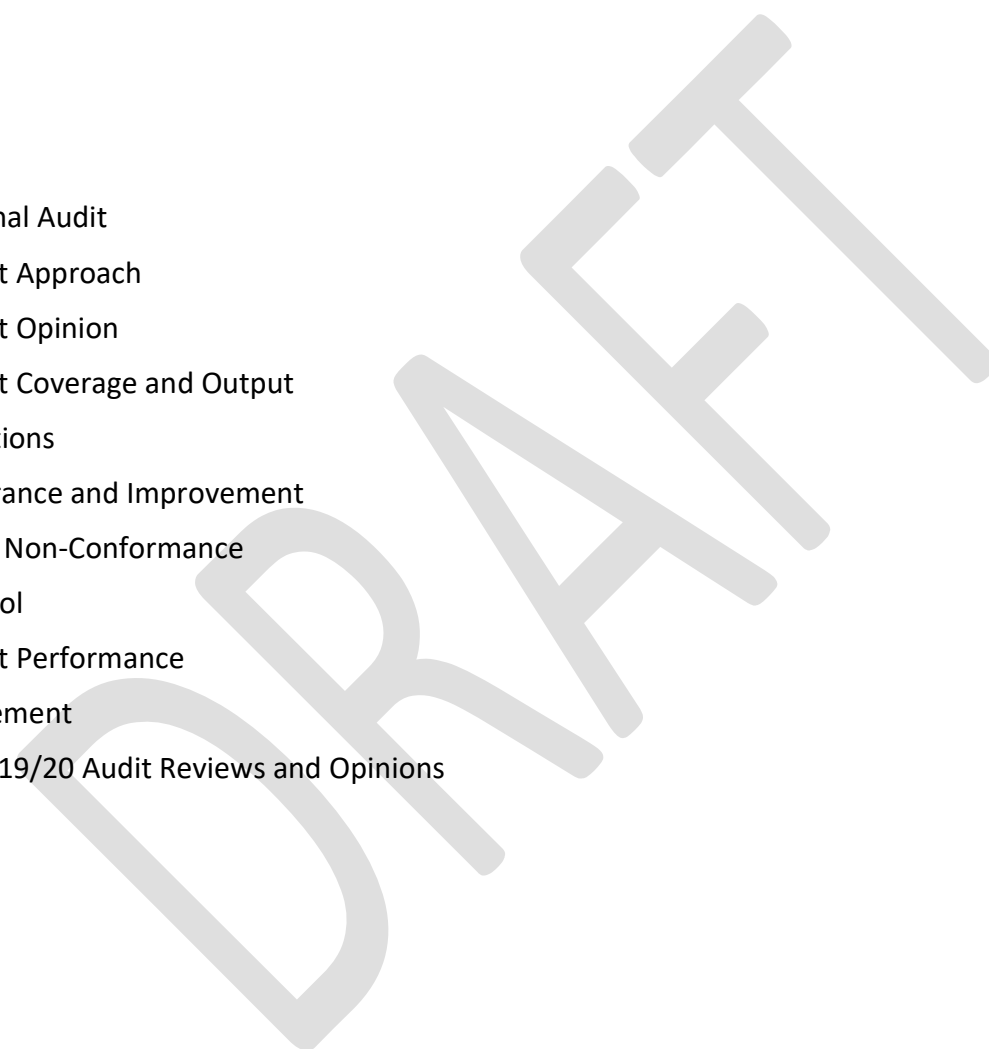
Southern Internal Audit Partnership

Assurance through excellence
and innovation

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body 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.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].



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

‘Independent, objective assurance and consulting activity 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 risk management, control and governance 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.

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2. Internal Audit Approach

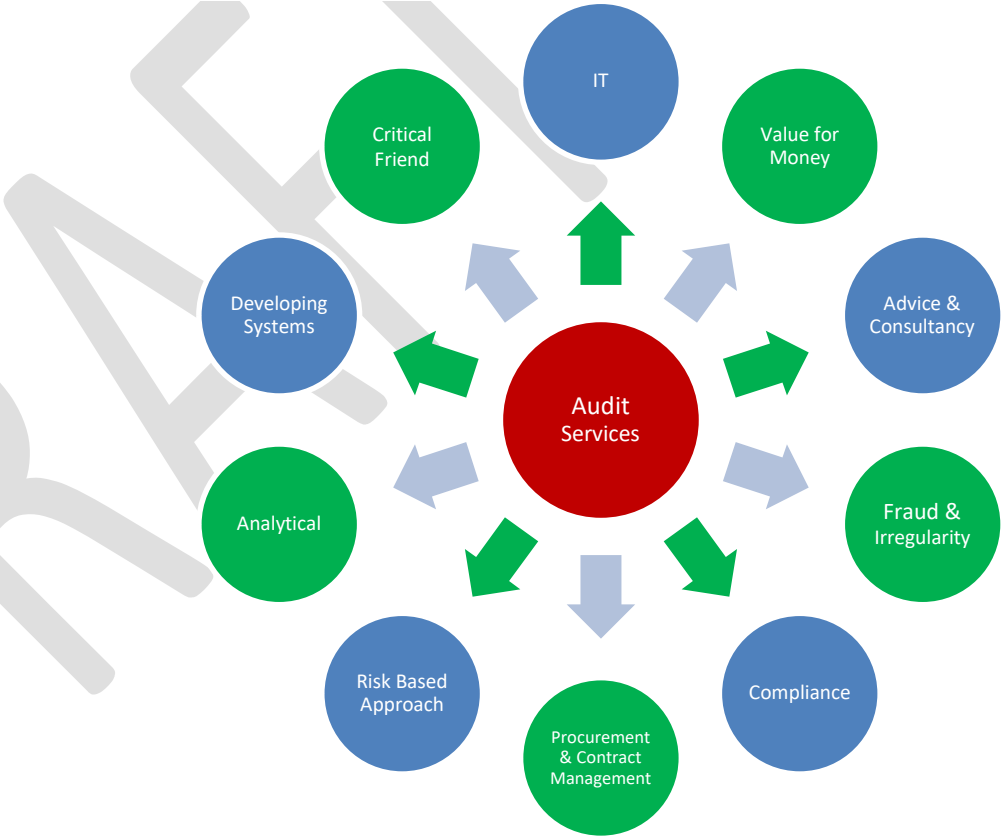
To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Head of the Southern Internal Audit Partnership and will depend on the:

- Level of assurance required;
- Significance of the objectives under review to the organisation’s success;
- Risks inherent in the achievement of objectives; and
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



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3. Internal Audit Opinion

The Head of the Southern Internal Audit Partnership is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

The significant impact and subsequent challenges posed by the coronavirus pandemic (Covid-19), both to the way we work and the delivery of the Council's services, has resulted in some delays in completing planned 2019/20 reviews, particularly those planned for completion in the latter part of the year. However, this delay has not inhibited my ability to provide an opinion on the operation of the organisation's framework of risk management, governance, and control during 2019-20.

Annual Internal Audit Opinion 2019-20

"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Epsom & Ewell Borough Council's internal control environment.

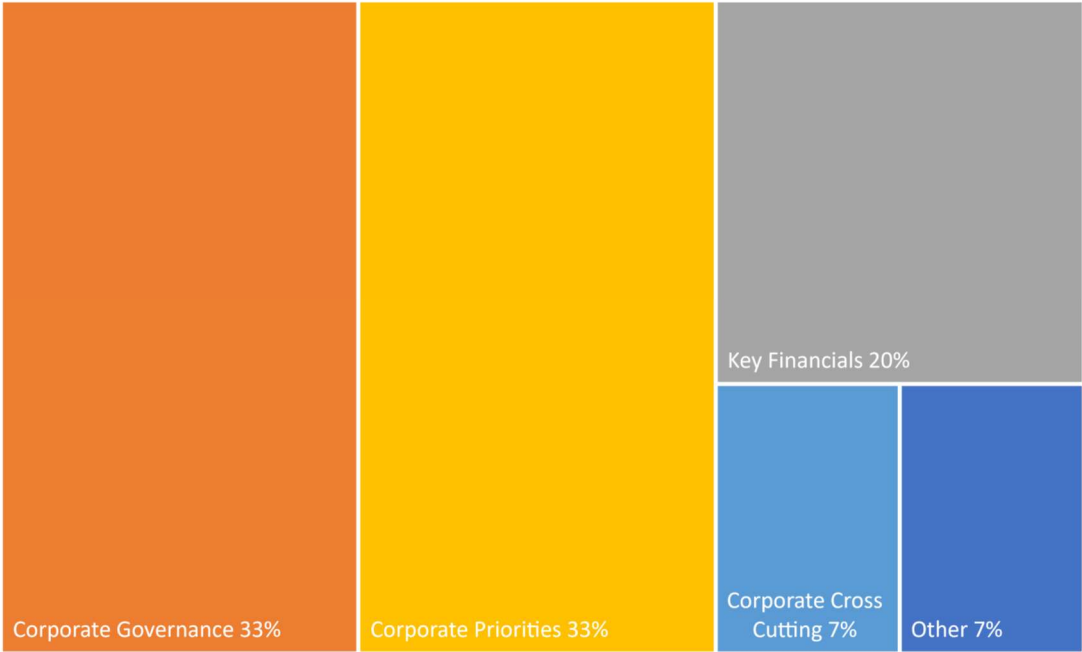
In my opinion, Epsom & Ewell Borough Council's framework of governance, risk management and control is 'Adequate' and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council’s activities and to support the preparation of the Annual Governance Statement.

Reviews by Theme



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2019-20 Internal audit plan, approved by the Audit, Crime & Disorder and Scrutiny Committee in April 2019, was informed by internal audits own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion internal audit have undertaken 15 reviews during the year ending 31 March 2020.

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Agenda Item 3
Appendix 2

Due to the breadth of audit coverage across the organisation and the impact of COVID-19, there has been an inevitable impact on the delivery of those reviews scheduled for completion within the quarter four portfolio allocations which has resulted in the cessation of planned audit work.

The revised 2019-20 internal audit plan has been delivered with the following exceptions:

- Work had commenced but halted prior to completion either due to availability of staff or difficulties in auditing the service area virtually in respect of:
 - Cultural Venues & Facilities

The original internal audit plan agreed by the Audit, Crime & Disorder and Scrutiny Committee on 16 April 2019 included two IT reviews:

- Data Management; and
- Payment Card Industry Data Security Standards

Due to ongoing initiatives during the year, officers within the Council requested that these reviews be deferred. With IT being a fundamental component of the Council's control environment, it is imperative that an adequate level of assurance is attained over the framework of governance, risk, and control in which it operates.

As such following the request for deferral the Southern Internal Audit Partnership agreed that an assurance mapping exercise would be undertaken to assess what other sources of assurance the Council receives that IT controls are operating effectively. However, whilst the scope of the work was agreed, due the impact of COVID-19 there was no capacity within the organisation to support the audit review, and consequently the assurance mapping exercise was not undertaken.

Provision has been incorporated within the 2020/21 audit plan to ensure an adequate level of IT assurance is provided. The absence of such assurance for a second year may affect our ability to provide an overall opinion on the Councils framework of governance, risk and control for 2020/21.

The opinion assigned to each internal audit review on issue is defined as follows:

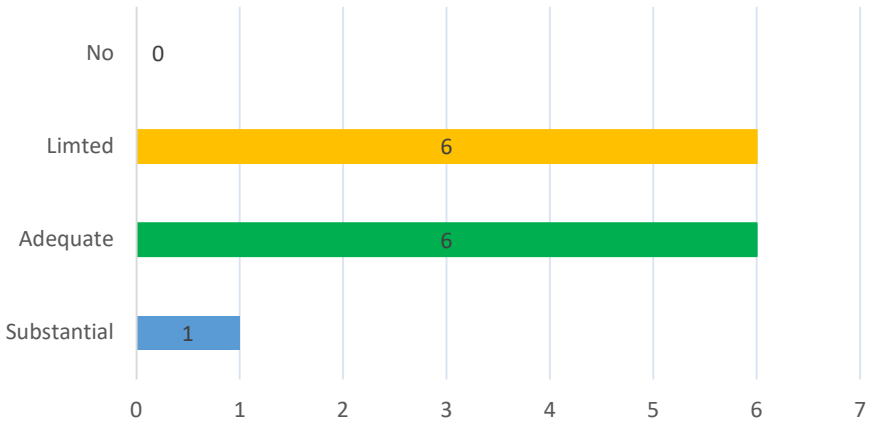
Substantial – There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be of a high standard and few or no material errors or weaknesses were found;

Adequate - While there is a basically sound system, there are weaknesses, which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk;

Limited - Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk; or

No - Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

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*2 reviews did not culminate in an audit opinion, one position statement and one related to the Conservators Accounts sign off.

5. Key Observations

There were no 'No Assurance' opinions issued during the year. However, there were some areas identified that provide challenge to the organisations risk environment:

Building Control - We were able to confirm that Building Control fees were appropriately documented, approved, and published and that charges made were in accordance with published fees. However, there was found to be no clear ownership or accountability of invoicing and debt collection responsibilities between the Building Control Team and Administrative Support, resulting in the risk of inaccuracy and inefficiencies through omission and / or duplication in process.

Our review identified discrepancies between the building control system (Uniform) and the financial accounting system (Civica) in relation to fee income due and received. There is currently no income reconciliation undertaken between the two systems. A number of inaccuracies were also found within records held on Uniform increasing the risk of data quality / integrity and reliance that can be placed on management information attained from the system.

Accounts Receivable & Debt Management - The council were found to be raising invoices in a timely manner and income received is promptly matched against the relevant invoice. However, the procedure for undertaking the bank reconciliation had not been documented and therefore in the absence of the Senior Financial Administrator this task cannot be effectively covered, additionally there has been no monthly sign offs for the bank reconciliation since April 2019.

It was evident that monthly Aged Debt Detail reports are run, which are then sent to the relevant departments for actioning to recover the debt. Evidence was also seen of emails from some departments advising of actions taken to recover the debt. However, whilst reminders and final reminders have been issued to outstanding debtors, for those debts that remain outstanding, after final reminders are sent, no formal legal debt recovery actions (i.e. court summons') have been progressed by the Exchequer and Legal teams since October 2018.

Evidence was seen of bad debt write offs, prior to October 2018, having been appropriately authorised by the Chief Finance Officer, in line with the delegation levels stated in the Financial Regulations. However, there has been no bad debt write offs since this time.

Procurement - Contract Standing Orders, procurement rules and guidance are available to all staff and the Council are using the 'Pro-Contract system' enabling the progress of procurement projects to be reported to management, with assurance and clarity.

Spend analysis undertaken during our review (over a 12-month period) identified potential areas where aggregated spend has exceeded procurement thresholds and for which no contracts are in place. The Council currently have no system or process in place to monitor or identify aggregated spend.

The Council's published Procurement Strategy document is out of date and in need of review

Contract Management - The Council were found to retain a Contract Register that is publicly available and records contract end dates, providing a flag for contract renewal going forward, however, it was apparent through review of expenditure from the corporate creditors system not all contracts are currently recorded. This had impact on compliance with the Local Government Transparency Code.

It was evident in a majority of cases reviewed that regular performance meetings were scheduled and recorded with contractors and where applicable KPI's used to monitor contract performance, however, it was concerning to find that a signed copy of the original contract could not be traced within the legal archive for all contracts tested.

A Contract Manager has now been appointed to fulfil a corporate support role that will provide direction, guidance and consistency on good contract management.

Community & Wellbeing Centre - The review provided assurances that regular budget monitoring was regularly undertaken and that bookings were appropriately charged and recorded. Income was also found to be collected and banked accurately and securely.

However, the amenity fund was not supported by any policy or procedure notes and its purpose was unclear. Testing highlighted no evidence to support the authorisation of expenditure from the fund and cash payments were found to have been made to pay instructors rather than being appropriately processed through the creditor or payroll system(s).

Whilst it was evident that cash reconciliations of the amenity fund were regularly undertaken against the Fund Book, they regularly highlighted positive or negative imbalances that were simply carried forward. The fund book was not reconciled to the funds bank account.

Air Quality Monitoring - Management and operational roles and responsibilities for air quality management had been clearly assigned to the Environmental Health Manager. However, there was no regular reporting to the senior leadership team on air quality monitoring, and no senior management sign off or checking of the Annual Status Report (ASR) before submission to DEFRA.

The 2019 Annual Status Report (ASR) had not been submitted to DEFRA in accordance with the required deadline of 30 June 2019. It was also found that some DEFRA recommendations from the 2016 approval report had not been actioned as part of the 2017 ASR. Documentation had not been retained in all areas to substantiate data used in the ASR and other key reports.

The Air Quality Action Plan (AQAP) for one area reviewed found actions were not being regularly reviewed by a steering group as recommended by DEFRA, despite intentions to do so being stipulated in the 2010 published plan.

6. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within 'the Standards'.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015.

In considering all sources of evidence the external assessment team concluded:

“It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of the principles contained within the International Professional Practice Framework (IPPF); the Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).

There are no instances across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of SIAP’s remit.”

In accordance with PSIAS, annual self-assessments have been completed since the external inspection concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] which requires ‘an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation’ I can confirm endorsement from the Institute of Internal Auditors that:

‘the Southern Internal Audit Partnership conforms to the, Definition of Internal Auditing; the Code of Ethics; and the Standards’

There are no disclosures of Non-Conformance to report.

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8. Quality control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2019-20 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- A self-assessment against the Public Sector Internal Audit Standards.

9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	2018-19 Actual	2019-20 Actual
Percentage of revised internal audit plan delivered	95%	n/a	100%
Positive customer survey response			
<ul style="list-style-type: none"> • Epsom & Ewell Borough Council 	90%	n/a	100%
<ul style="list-style-type: none"> • SIAP – all Partners 	90%	99%	98%
Public Sector Internal Audit Standards	Compliant	Compliant	Compliant

Customer satisfaction has been assessed through response to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process throughout the year.

10. Acknowledgement

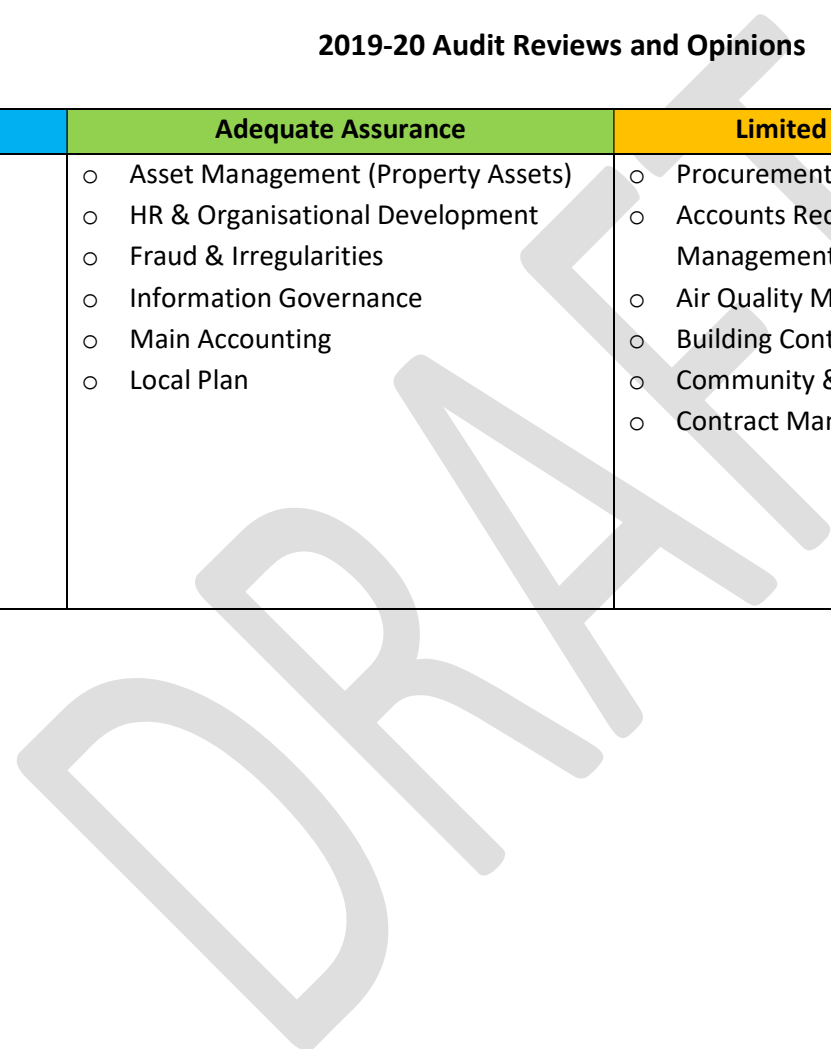
I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman
Head of Southern Internal Audit Partnership
August 2020

DRAFT

2019-20 Audit Reviews and Opinions

Substantial Assurance	Adequate Assurance	Limited Assurance	No Assurance
<ul style="list-style-type: none"> ○ Capital Accounting 	<ul style="list-style-type: none"> ○ Asset Management (Property Assets) ○ HR & Organisational Development ○ Fraud & Irregularities ○ Information Governance ○ Main Accounting ○ Local Plan 	<ul style="list-style-type: none"> ○ Procurement ○ Accounts Receivable / Debt Management ○ Air Quality Monitoring ○ Building Control ○ Community & Wellbeing Centre ○ Contract Management 	



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