

Public Document Pack

Legal and Democratic Services



AUDIT, CRIME & DISORDER AND SCRUTINY COMMITTEE

Thursday 19 April 2018 at 7.30 pm

Committee Room 1 - Epsom Town Hall

The members listed below are summoned to attend the Audit, Crime & Disorder and Scrutiny Committee meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Councillor David Reeve (Chairman)
Councillor Steve Bridger (Vice-
Chairman)
Councillor Alex Clarke
Councillor George Crawford
Councillor Rob Geleit

Councillor Jan Mason
Councillor Humphrey Reynolds
Councillor Jean Steer
Councillor Peter Webb
Councillor Clive Woodbridge

Yours sincerely

A handwritten signature in black ink, appearing to read 'J.C. Beldan'.

Chief Executive

For further information, please contact Tim Richardson, 01372 732122 or trichardson@epsom-ewell.gov.uk

AGENDA

1. QUESTION TIME

To take any questions from members of the Public.

Please note: Members of the Public are requested to inform the Democratic Services Officer before the meeting begins if they wish to ask a verbal question to the Committee.

2. DECLARATIONS OF INTEREST

Members are asked to declare the existence and nature of any Disclosable Pecuniary Interests in respect of any item of business to be considered at the meeting.

3. MINUTES OF THE PREVIOUS MEETING (Pages 3 - 6)

The Committee is asked to confirm as a true record the Minutes of the Meeting of the Committee held on 8 February 2018 (attached) and to authorise the Chairman to sign them.

4. INTERNAL AUDIT MONITORING REPORT (Pages 7 - 46)

This report summarises progress against the audit plan for 2017/18.

5. INTERNAL AUDIT STRATEGY 2018/19 (Pages 47 - 78)

This report introduces the updated internal audit strategy for 2018/19.

6. EXTERNAL AUDIT PLAN FOR 2017/18 (Pages 79 - 100)

This report sets out the approach being taken by the Council's external auditors, Grant Thornton, to the audit of the accounts for 2017/18.

7. REVIEW OF THE COMMUNITY AND WELLBEING SERVICES (Pages 101 - 108)

This report presents a review of the implementation of recommendations from the Scrutiny review of Routecall undertaken in 2015. It includes a review of Routecall and associated services managed within the Community and Wellbeing Services department of the Council.

8. ANNUAL REPORT (Pages 109 - 116)

This report presents the Annual Report of the Audit, Crime & Disorder and Scrutiny Committee for 2017/18.

**Minutes of the Meeting of the AUDIT, CRIME & DISORDER AND SCRUTINY
COMMITTEE held on 8 February 2018**

PRESENT -

Councillor David Reeve (Chairman); Councillor Steve Bridger (Vice-Chairman);
Councillors Alex Clarke, George Crawford, Rob Geleit, Jan Mason,
Humphrey Reynolds, Peter Webb and Clive Woodbridge

In Attendance: Mike Cheetham (Partner) (RSM Risk Assurance (Internal Auditor))
(Items 22-25 only)

Absent: Councillor Jean Steer

Officers present: Kathryn Beldon (Chief Executive), Gillian McTaggart (Head of
Corporate Governance), Margaret Jones (Scrutiny Officer) and Tim Richardson
(Democratic Services Officer)

22 QUESTION TIME

No questions were asked or had been submitted by members of the public.

23 DECLARATIONS OF INTEREST

No declarations of interest were made by Councillors in items on the agenda for
this meeting.

24 MINUTES OF THE PREVIOUS MEETING

The Minutes of the meeting of the Audit, Crime & Disorder and Scrutiny
Committee held on 23 November 2017 were agreed as a true record and signed
by the Chairman.

25 INTERNAL AUDIT MONITORING REPORT

The Committee received a report presenting the internal audit progress report for
2017/18. The following matters were considered:

- a) **Definition of substantial and reasonable assurance.** Following a
question from a member of the Committee, the Internal Auditor informed
the meeting that “substantial assurance” was the highest level of
classification given by the Auditor. The Committee was informed that
“reasonable assurance” was the second-highest level of classification
given by the Auditor.

- b) **ICT business continuity plan.** The Committee was informed that the Acting Head of ICT was in the process of drafting amendments to the ICT Business Continuity Plan in line with the Auditor's findings.
- c) **Emergency response training for Councillors.** The Committee was informed that a Members' Briefing Evening would be arranged to provide training for Councillors on how to respond in the event of an emergency within the Borough. This was likely to be held in late May or early June 2018 and would cover issues such as how to react, signposting to responsible authorities and the use of social media.
- d) **Audit of Local Plan – application of control framework.** The Committee noted that the Auditor had made one medium level recommendation with regard to this audit, relating to the Council's statutory obligation to publish a Housing Annual Monitoring Report (AMR). Officers informed the Committee that the AMR for 2017/18 would be presented to the Licensing and Planning Policy Committee in March 2018, and that this would comply with the Council's statutory obligations.

Following consideration, the Committee:

- (1) Agreed to receive the internal audit progress report for 2017/18.

26 PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

The Committee received a report outlining progress made on implementing internal audit recommendations. The following matters were considered:

- a) **Recommendations with outstanding actions.** The Committee noted that there were outstanding actions from the audits of Information Governance, PCI Compliance and Software Licensing. The Committee requested that an update on progress toward these actions be provided at its November meeting.
- b) **ICT staffing.** The Committee received an update on staffing within the ICT team.
- c) **General Data Protection Regulation (GDPR) compliance.** The Committee was informed of the Council's arrangements for meeting the requirements of GDPR. An officer working group was considering the issue, and a project plan had been produced.

Following consideration, the Committee:

- (1) The Committee noted the progress on the implementation of outstanding high and medium internal audit recommendations from the 2016/17 audit programme and other outstanding recommendations, and requested that an update on progress toward outstanding actions from the audits of

Information Governance, PCI Compliance and Software Licensing be provided at its November 2018 meeting.

27 REVIEW OF THE ARRANGEMENTS FOR PUBLICISING AND DETERMINING PLANNING APPLICATIONS - UPDATE REPORT

The Committee received a report updating it on the progress made to-date in implementing the recommendations of the Scrutiny Review Task Group on the Administrative Arrangements for Publicising and Determining Planning Applications. The following matters were considered:

- a) **Outstanding actions.** The Committee noted that only two of the actions recommended by the Scrutiny Review Task Group remained outstanding. These were to review the policy on the siting of telecommunications masts, and to undertake a customer satisfaction survey. An update on both of these actions was provided within the report.

Following consideration, the Committee:

- (1) Noted the achievements on the outstanding items referred from the April 2017 meeting.
- (2) Agreed that a review of the Council's policy on telecommunications masts sited on Council land be taken forward by the Head of Property and reported to the appropriate Committee in due course.

28 CORPORATE PLAN: KEY PRIORITY PERFORMANCE TARGETS PERFORMANCE REPORT PHASE TWO

The Committee received a report providing an update against the Council's Key Priority Performance Targets for 2017 to 2018. The following matters were considered:

- a) **Status categories.** Members of the Committee suggested that additional categories titled "deferred" and "achieved" could be included within the report, to more accurately record the status of some actions. It was noted that officers would consider this when reviewing the structure of monitoring reports for 2018/19 targets. Officers informed the Committee that the use of "deferred" status would only be appropriate where a decision had been taken to redirect resources from the completion of a target. It would not be appropriate if a target had been aimed for, but missed.

The Committee:

- (1) Considered the performance reported in Annexe 1 and did not identify any areas of concern.
- (2) Considered the actions that had been proposed or taken where performance was currently a concern as shown in table 3.1 of the report.

- (3) Noted the overview of the Key Priority Performance Targets in Annexe 2 to the report.

29 WORK PROGRAMME 2017/18

The Committee received a report asking it to agree its work programme for 2017/18.

Following consideration, the Committee:

- (1) Approved the work programme 2017/18.

The meeting began at 7.30 pm and ended at 8.22 pm

COUNCILLOR DAVID REEVE (CHAIRMAN)

INTERNAL AUDIT MONITORING REPORT

Report of the: Head of Corporate Governance
Contact: Gillian McTaggart
Urgent Decision?(yes/no) No
If yes, reason urgent decision required:
Annexes/Appendices (attached): **Annexe 1** – Internal Audit Progress Report
Other available papers (not attached):

Report summary

This report summarises progress against the audit plan for 2017/18

Recommendation (s)

(1) That the Committee receives the internal audit progress report for 2017/18

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

1.1 None for the purposes of this report.

2 Background

2.1 The Committee's terms of reference includes the requirements to monitor the implementation of recommendations from both external and internal auditors.

2.2 On 8 February 2018, the Committee received the last internal audit progress report for 2017/18; on 20 June 2017 the Committee received the year-end report for 2016/17. There were no matters arising where the Committee required further reports.

2.3 The Committee endorsed the audit plan for 2017/18 on the 11 April 2017.

3 Proposals

- 3.1 The internal audit progress report covering the period to date for 2017/18 is attached as **Annexe 1** to this report.
- 3.2 The report monitors the delivery of the audit programme and contains the key features that the Committee has requested. During the year, progress reports will reflect the internal auditor's opinion. This report includes:
- 3.2.1 A summary of progress
- 3.2.2 Internal audit plan performance
- 3.2.3 Any alterations to the plan
- 3.2.4 Executive summary and detailed findings of each review.
- 3.3 A summary of progress against the Internal Audit Plan for 2017/18 is shown below. Four reports have been finalised; Homelessness – Business Process Review , Planning income, Corporate Governance and Payroll.

Assignment	Reported	Opinion	H	M	L
Business Process Review (Housing) C/F from 2016/17	19 April 18	Reasonable Assurance		3	
Booking System and income collected	23 November 17	Reasonable Assurance			3
Emergency Planning and civil contingencies	23 November 17	Reasonable Assurance		3	4
Delivery of the Local Plan	8 February 18	Reasonable Assurance		1	1
Property Management	23 November 17	Reasonable Assurance			5
Cyber Security	In progress				
IT General Controls	Not started				
Commercial Property Acquisitions	23 November 17	Substantial Assurance	-	-	-
Housing Needs	Deferred to 2018/19				

Transport Contract management	8 February 18	Substantial Assurance	-	-	3
Private Sector Leasing	Delayed start				
Temporary Accommodation Initiatives	Deferred to 2018/19				
Planning income	19 April 18	Substantial Assurance			2
Data Protection/ GDPR	Commencing April				
Revenues	8 February 18	Reasonable Assurance		1	2
Benefits	8 February 18	Reasonable Assurance		1	
Corporate Governance	19 April 18	Reasonable Assurance		3	1
Payroll	19 April 18	Reasonable Assurance		2	4
Follow up					

3.1 There are no matters within the audits issued to date to bring to the attention of the Committee. There have been some delays in audits commencing but they will all be completed by the year-end, except for two. The two housing audits have been deferred until 2018/19 due to resource implications in introducing the Homelessness Reduction Act 2017.

3.2 At its last meeting the Committee requested that a review of the governance of the Council's two new commercial properties be undertaken. This will be done in May 2018 and reported to the next meeting. This will be supplementary to the Commercial Property Acquisition audit already completed and form part of this year's audit opinion.

4 Financial and Manpower Implications

4.1 There are no financial or manpower implications within this report.

4.2 **Chief Finance Officer's comments:** The work of internal audit is critical to ensuring the Council has an effective and robust set of internal controls in place.

5 Legal Implications (including implications for matters relating to equality)

5.1 None for the purposes of this report.

5.2 **Monitoring Officer's comments:** There are no legal implications arising directly from this report. Internal Audit reports form a key part of the Council's governance arrangements.

6 Sustainability Policy and Community Safety Implications

6.1 None for the purposes of this report.

7 Partnerships

7.1 The Council continues to be part of the internal audit consortium with Mole Valley DC, Reigate & Banstead BC, Tandridge DC and Waverley DC and Surrey Police.

8 Risk Assessment

8.1 The internal audit service forms a statutory part of the Council's internal control.

9 Conclusion and Recommendations

9.1 There are no reports, which have been given a "no assurance" rating that would affect the Head of Internal Audit's year-end opinion.

9.2 Although a number of audits have not yet been issued the Team are confident that all work, except for the two deferred audits, will be completed for the Annual Review reported to Committee in June on which the Head of Internal Audit basis his year end opinion

Ward(s) affected: (All Wards);



EPSOM AND EWELL BOROUGH COUNCIL

Internal Audit Progress Report

Audit, Crime & Disorder and Scrutiny
Committee Meeting

19 April 2018

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.

CONTENTS

1 Introduction..... 2

2 Looking ahead..... 3

3 Other matters 4

For further information contact 5

APPENDIX A: Internal audit assignments completed to date 6

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Management actions for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management’s responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is solely for the use of the persons to whom it is addressed and for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person’s reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 INTRODUCTION

The Internal Audit Plan for 2017/18 was approved by the Audit, Crime & Disorder Scrutiny Committee in April 2017. Below provides a summary update on progress against that plan and summarises the results of our work to date.

This table informs of the audit assignments that have been finalised and the impacts of those findings since our last report to the Audit, Crime & Disorder and Scrutiny Committee.

The Executive Summary and Key Findings of the assignments below are attached to the end of this progress report.

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Business Process Review (Project) Homelessness (9.17/18)	FINAL	Reasonable Assurance	0	3	0
Payroll (10.17/18)	FINAL	Reasonable Assurance	4	2	0
Planning Income (11.17/18)	FINAL	Substantial Assurance	3	0	0
Governance (12.17/18)	FINAL	Reasonable Assurance	1	3	0

2 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2017/18	Status
Cyber Security	June 2017	Fieldwork deferred at management's request to 23 April ¹ to allow for change in staff at Council
IT General Controls	December 2017	Fieldwork deferred at management's request to 23 April ¹ to allow for change in staff at Council
Data Protection	November 2017	Fieldwork deferred at management's request to 9 April ¹ to allow for change in staff at Council
Private Sector Leasing	October 2017	Fieldwork deferred at management's request to 23 April ¹ to allow for change in staff at Council
Asset Management	Addition to plan	Scoping and dates under discussion
Housing Needs	September 2017	Management requested deferral to 2018/19 (refer 3.1 below)
Temporary Accommodation Initiatives	October 2017	Management requested deferral to 2018/19 (refer 3.1 below)
Follow Up	Throughout the year	Ongoing

¹ Any work completed in April 2018 will still inform our 2018/19 annual internal audit opinion.

3 OTHER MATTERS

3.1 Changes to the audit plan

As reported at the last meeting of the Audit, Crime & Disorder and Scrutiny Committee we have received requests to defer two audits, both in the area of housing and relating to Housing Needs and Temporary Accommodation Initiatives as this area is going through a period of change at the current time. As also discussed at the last meeting of the Audit, Crime & Disorder and Scrutiny Committee, we have arranged a review of Asset Management to provide further assurance regarding the Commercial Property Acquisition which will replace the deferred audits within the plan. There have also been some changes to timings in relation to the audits of private sector leasing and data protection and this has been to allow for changes in the areas concerned to be completed prior to our audits being completed.

3.2 Information and briefings

There have been no information briefings since the last Audit Committee

FOR FURTHER INFORMATION CONTACT

Mike Cheetham, Head of Internal Audit

mike.cheetham@rsmuk.com

07800 617204

Lorna Raynes, Client Manager

lorna.raynes@rsmuk.com

07972 004175

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Reports previously seen by the Joint Audit Committee and included for information purposes only:

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Booking System and Income Collection (1.17/18)	FINAL	Reasonable Assurance	3	0	0
Emergency Planning (2.17/18)	FINAL	Reasonable Assurance	4	3	0
Property Management (3.17/18)	FINAL	Reasonable Assurance	5	0	0
Local Plan (4.17/18)	FINAL	Reasonable Assurance	1	1	0
Commercial Property Acquisition (5.17/18)	FINAL	Substantial Assurance	0	0	0
Transport - Contract Management (6.17/18)	FINAL	Substantial Assurance	3	0	0
Revenues (7.17/18)	FINAL	Reasonable Assurance	2	1	0
Benefits (8.17/18)	FINAL	Reasonable Assurance	0	1	0

BUSINESS PROCESS REVIEW (PROJECT) HOMELESSNESS - EXECUTIVE SUMMARY

1.1 Background

A Business Process Review (BPR) was undertaken in 2015 surrounding homelessness support at Epsom and Ewell Borough Council (EEBC). Expenditure on ICT systems as part of the Business Process Review for homelessness were approved as part of a wider ICT capital budget programme split into two phases. The first phase would see a Housing Options Wizard implemented in December 2015, following by a second phase culminating in the implementation of the Council's housing needs register, which went live on 20 September 2016.

Key project outcomes anticipated that the Housing Options Wizard and Case Management System would be programmed to allow for the two systems to interface with each other, improving the ease of case management for Housing Officers with regards to homelessness at the Council. Furthermore, the introduction of SMS messaging with clients and improvements to the processing of large e-mails to ensure their secure transmission was to be considered.

The Council records all housing related matters (including homelessness) on the Abris Nova application software suite. The Council aimed to achieve a number of key objectives in relation to the Homelessness BPR following the introduction of the Abris system.

A number of key changes were presented as a means to driving cost savings going forward following the Homelessness BPR. These were:

- Introduction of interface between Housing Options Wizard and the Case Management System
- Introduction of interface between IDOX (Document Management System) and the Case Management System
- Central printing and posting for Housing correspondence to be implemented
- SMS messaging to be implemented
- Secure transmission of large e-mails
- Contact centre to be trained on the Housing Options Wizard

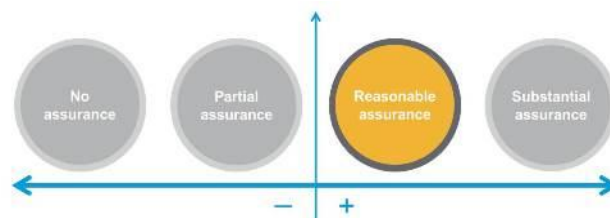
This review sought to examine evidence that project management processes clearly identified efficiencies and opportunities going forward which would improve performance and reduce costs for the Council and that these elements are being delivered.

1.2 Conclusion

The project has been well implemented and received. There is tangible evidence of process efficiencies although the full range of benefits anticipated in the original business case have yet to be realised. In addition, although cost savings can be evidenced with regards to homelessness support, it is difficult to directly attribute these to the new actions that have been implemented as a result of the Business Process Review.

Internal Audit Opinion:

Taking account of the issues identified, the Council can take reasonable assurance that the controls upon which the organisation relies to implement the project have been suitably designed, consistently applied and operating effectively. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing weaknesses identified.



1.3 Key findings

Action 1: Introduction of interface between Housing Options Wizard and the Case Management System

Implementation status: Complete

The purpose of this action was to improve the effectiveness and ease of the management of homelessness cases within the borough, by allowing the two systems to interface with each other. Following our review, we have confirmed an interface between the Council's Housing Options Wizard and the Case Management System has been introduced as a result of the Business Process Review.

Action 2: Introduction of interface between IDOX (Document Management System) and the Case Management System

Implementation status: Complete

Similar to the previous action, the purpose of this action was to ensure the two systems could interface allowing for greater effectiveness and ease in the management of homelessness cases. Following our review, we have confirmed an interface between the Document Management System and the Case Management System has been introduced as a result of the Business Process Review.

Action 3: Central printing and posting for Housing correspondence to be implemented

Implementation status: No longer being implemented

We confirmed that to date, the Central print and post function has not yet been implemented. Following discussion with the Head of Housing and Community, we confirmed that this action is now not planned to be implemented at the Council. At the time of the review, the Council was in the process of moving a number of functions postal requirements to a central printing and posting room. However, due to the fact that only a small number of homelessness cases are managed by the Housing team, the use of postage is less significant than other departments at the Council. Therefore, the printing and posting of correspondence has been kept within the Housing team.

Action 4: SMS messaging to be implemented**Implementation status: Complete**

The purpose of this action was to assist with paper reduction and improve communications with clients. Following our review, we confirmed that the Abrisas system did not have SMS functionality. Rather, it has a similar client messaging system that has the functionality to automatically email correspondence to clients rather than printing. Therefore, this action has been implemented as instant messaging is still in effect following the upgrade to Abrisas.

Action 5: Secure transmission of large e-mails**Implementation status: Complete**

We confirmed that Secure Egress is now rolled out across all Council services.

Action 6: Contact centre to be trained on the Housing Options Wizard**Implementation status: Incomplete**

We confirmed that to date, the Contact Centre are yet to be trained on the Housing Options Wizard. Through discussion with the Housing Operations Manager, we confirmed that this management action was not passed on to her and accordingly has not been implemented. If this planned action is not managed appropriately and implemented if still necessary, there is a risk that cost savings in line with this area of the BPR will not be achieved.

Accordingly, as a result of the above and our wider audit review, we have raised the following management actions:

- Following our review, we found there to be a lack of communication and dissemination of key BPR objectives and outcomes to management. Going forward, management who are to be involved in the implementation of key actions and the associated delivery of cost savings should be involved in final meetings and have clear sight of the findings of the original BPR. Without communication and clarity over the outcomes of the BPR, there is a risk that cost savings may not be delivered as necessary. **(Medium)**
- We confirmed that to date, the Contact Centre are yet to be trained on the Housing Options Wizard. Through discussion with the Housing Operations Manager, we confirmed that this management action was not passed on to her and accordingly has not been implemented. Failure to implement actions in a timely manner may mean efficiency savings are not realised at the Council. **(Medium)**
- Although we can verify that there have been clear cost savings in recent years, there is no robust evidence to demonstrate that these can be directly attributed to the actions implemented as a result of the BPR. For example, annual expenditure on the Temporary Accommodation account code has decreased from £1,792,617.02 in 2015/16 to £1,287,717.67 in 2016/17. Following discussion with the Housing Operations Manager, we confirmed that 'anecdotally' efficiency gains have been experienced within the Housing team and that the more efficient management of cases has contributed to cost savings. Going forward, on a general note there is scope for future BPR's to attempt some measure of the expected savings outcomes, efficiency proposals may have. Without such quantification, there is a risk that cost savings achieved may not be as a direct result of actions implemented following **Page 20 (Medium)**

Notwithstanding the above, we have also identified the following examples of sound application of and good practice in relation to the Business Process Review exercise:

- We confirmed that an action plan was in place during the production of the Business Process Review, which appropriately detailed key actions to be implemented, associated implementation dates and leads.
- We reviewed the Homelessness model, which detailed potential cost savings calculated based on projected full time equivalent (FTE) savings at the Council. This document and its associated calculations were used to forecast potential savings that could be achieved following the introduction of the BPR's six actions.
- We confirmed that the BPR clearly detailed total potential savings of £196,054.16 per annum. This total was made up of process savings of £41,556.73 and also £154,497.43 cost savings on interim accommodation and storage costs.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
The BPR mapped current processes and clearly highlighted efficiencies and opportunities for improvement	0 (2)	0 (2)	0	0	0
Efficiencies identified were quantified in terms of cost, time saving or improved service delivery	0 (1)	0 (1)	0	0	0
The governance of the BPR prescribed responsibilities, timelines and accountability for actions going forward and provided oversight for the monitoring and challenge of implementation	1 (1)	0 (1)	0	1	0
There is clear evidence of service improvement and realisation of efficiencies and savings initially outlined	2 (4)	0 (4)	0	2	0
Total			0	3	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Area: The governance of the BPR prescribed responsibilities, timelines and accountability for actions going forward and provided oversight for the monitoring and challenge of implementation								
2.1	Original agreement and on-going project oversight through a project management group was maintained. Project management principles of action planning, review and reporting are evidenced	No	N/A	Following our review, we found there to be a lack of communication and dissemination of key BPR topics to management. Going forward, management who are to be involved in the implementation of key actions and the associated delivery of cost savings should be involved in final meetings and have clear sight of the findings of the original BPR. Without communication and clarity over the outcomes of the BPR, there is a risk that cost savings may not be delivered as necessary. With regards to the implementation of actions as a result of the BPR, we confirmed that one of the six stated actions had not been implemented as they had not been communicated to the Housing Operations Manager. This is detailed in 2.2 below.	Medium	For future Business Process Reviews, management responsible for the implementation of actions and the delivery of cost savings should be involved in a final meeting to establish the key actions they are due to implement going forward. At this stage, action owners can be decided upon by the manager and their team. <i>Management Comment - Since this review there have been no further BPR's undertaken. However when reinstated we will ensure that actions are allocated and owned by the correct officer.</i>	30 June 2018 or when reinstated	Gillian McTaggart –Head of Corporate Governance & Leadership Team
Area: There is clear evidence of service improvement and realisation of efficiencies and savings initially outlined								

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
2.2	Actions to be implemented as a result of the BPR were not disseminated to key management staff within the Housing team.	No	N/A	We confirmed that to date, the Contact Centre are yet to be trained on the Housing Options Wizard. Through discussion with the Housing Operations Manager, we confirmed that this management action was not passed on to her and accordingly has not been implemented. If this planned action is not managed appropriately and implemented if still necessary, there is a risk that cost savings in line with this area of the BPR will not be achieved. This should be actioned after the Homelessness Reduction Act is introduced.	Medium	Following the introduction of the Homelessness Reduction Act, all Contact Centre staff should be given training on the Housing Options Wizard following its review in April 2018. <i>Management Comment - Training will be arranged for June with the Contact Centre Manager.</i>	30 June 2018	Annette Snell – Housing Operations Manager;
2.3	Cost savings achieved should be linked and attributable, at least in part, to the actions implemented following the BPR.	No	N/A	Although we can verify that there have been clear cost savings in recent years, there is no robust evidence to demonstrate that these can be directly attributed to the actions implemented as a result of the BPR. Following discussion with the Housing Operations Manager, we confirmed that efficiency gains have been felt on the Housing team and that the more efficient management of cases has contributed to cost savings. Accordingly, there is a risk that cost savings achieved may not be as a direct result of actions implemented following the BPR.	Medium	Where possible future BPR;s will detail how proposed efficiency measures can be measured and linked to anticipated (and actual) cost reductions <i>Management Comment - Again there have been no further BPR's but this is a useful recommendation to improve the process going forward and can be taken into account in measuring future outcomes. This will be</i>	30 June 2018	Gillian McTaggart Head of Corporate Governance

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
-----	---------	----------------------------------	---------------------------------	---------------------------------	----------	-----------------------	---------------------	-------------------

implemented when the next review is scoped although there is no specific date it can be implemented.

PAYROLL - EXECUTIVE SUMMARY

1.1 Background

An audit of payroll was undertaken as part of the approved internal audit periodic plan for 2017/18.

In April 2017, Epsom and Ewell Borough Council (EEBC) discontinued their payroll provision for Mole Valley, Tandridge and Waverley councils. From this point onwards payroll was outsourced to MHR with Epsom solely responsible for its own payroll. Over the initial months, the Council encountered some serious issues regarding tax issues and tax uplifts not being correctly applied. This resulted in unreconciled balances between the payroll control accounts: net pay, PAYE and pensions. The Payroll team at the Council use the latest version of Midland Trent, a fully integrated Human Resource Information System. Responsibility for payroll is shared between the Epsom Ewell Borough Council Payroll Bureau, the Human Resources (HR) Team and MHR.

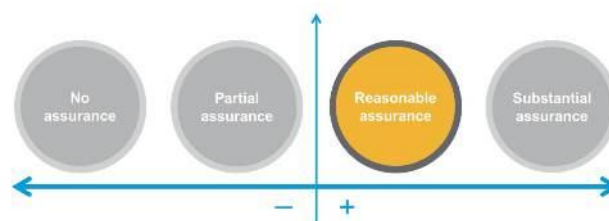
HR input new starters and amendments on the Council's HR system which is then sent to Payroll on a monthly basis. The Payroll Coordinator will then review the changes to mitigate the risk of an error being inputted to the system. From there, Midland input all of the data such as tax codes, NI and salary deductions onto the Payroll. The Payroll is then produced by Midland Trent and sent back to the Payroll Coordinator for review, before final amendments and corrections are made before the BACS submissions are signed off the Head of Payroll and HR

1.2 Conclusion

Internal audit opinion:

Taking account of the issues identified, the Board can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



1.3 Key findings

The key findings from this review are as follows:

Design and Application of the control framework

We have raised two 'medium' priority management actions and four 'low' priority management actions in relation to the design and application of the control framework. Details of the 'low' management actions can be found in section two of this report. The 'medium' priority actions relate to:

- Since April 2017, payroll has been outsourced to MHR. Prior to this, Epsom would complete the payroll for Mole Valley, Tandridge and Waverley councils. No procedural document is in place to detail the changes to the payroll process since it has been outsourced. There is a risk that staff at the Council may not know their roles and responsibilities with regards to the new payroll process. **(Medium)**
- We confirmed that reconciliations should all be signed off by a preparer and then receive a second signature from the Senior accountant as evidence of review. From our review we selected a sample of five reconciliations from the main control accounts for a period from August 2017 until the time of audit. Whilst we found that all control accounts reconciled and these had been completed monthly, we established that there had not been any formal sign off by two signatories.

There is a risk that the reconciliations are not being signed off in a timely manner or receiving adequate scrutiny from a separate member of staff. **(Medium)**

We identified the following examples of sound control design and application of controls:

- Employee contracts, starter forms and leaver forms are either held electronically on the Council's server or physically in a locked cupboard in the Payroll and HR office. Each employee has a separate folder with their respective information. When electronically held, payroll have restricted access to the personnel files and only HR can amend and change the contents of the files. There is no issue with the segregation of duties between HR and payroll.
- BACS submission is carried out on a monthly basis on the 20th of each by the payroll team at the Council and the file must be ready at least three working days prior to the submission on the 20th. For a sample of five months, we confirmed that all BACS submissions occurred in a timely manner and had been signed off by the Head of HR and Payroll.
- For a sample of five payroll runs we found that all five of the runs had been authorised by the head of HR or an appropriate member of the team. We confirmed that the review occurred prior to the payroll run being made in all five cases.
- From our sample testing we tested five HMRC payments and confirmed they had been appropriately authorised prior to the BACS payment being made. All BACS payments were processed by the Head of HR and Payroll.
- The Council has in place an overpayment recovery spreadsheet. The spreadsheet details where overpayments have been made. If possible, the overpayment is recovered via monthly deductions to their salary. If the employee has left the organisation they become a debtor to the Council and the chasing of the overpayment is passed onto the Finance Team at the Council. We identified that for the year to date there have been four overpayments by the Council. We identified that two had been generated as a sundry debtor at the Council and chased and collected by the Finance Team. The other two payments were being recovered via monthly salary deductions. We confirmed that the deductions are ongoing.
- A range of schemes are available for Epsom employees that require a salary sacrifice. Deductions are made before tax on a monthly basis from their salary. For a sample of five individuals we found that on review of their payslips, deductions were correctly made for each individual based on their deduction scheme.
- Through an electronic workflow generated by HR, starter, leaver and amendment information is forward to the Payroll Officer. From there, the officer will amend the payroll system as necessary. There was evidence of this monthly workflow being sent to the officer from April 2017 to date.
- There are a range of schemes that employees are entitled to and require a salary sacrifices, which is a monthly deduction. For a sample of five employees tested, their monthly deductions had been accurately made in their payslips.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*	Non Compliance with controls*	Agreed actions		
			Low	Medium	High
Procedural documentation;	1 (1)	0 (1)	0	1	0
Authorisation of payment run and payments to HMRC	0 (3)	0 (3)	0	0	0
Authorisation and processing of starters and, leavers and changes made to the payroll standing data	0 (4)	3 (4)	3	0	0
Appropriate segregation of duties exist for processing payroll information and pay	0 (1)	0 (1)	0	0	0
Reconciliation between the general ledger and payroll and payroll and HR records	0 (1)	1 (1)	0	1	0
Exception reports are in place that monitor significant variances	1 (1)	0 (1)	1	0	0
Salary Deductions	0 (1)	0 (1)	0	0	0
Archiving / File Storage	0 (1)	0 (1)	0	0	0
Salary overpayments are monitored and are recovered in a timely manner	0 (1)	0 (1)	0	0	0
Total	2 (14)	4 (14)	4	2	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
-----	---------	----------------------------------	---------------------------------	---------------------------------	----------	-----------------------	---------------------	-------------------

Area: Procedural Documentation

1	The Council has in place policies for the processing of payroll at the organisation on a monthly basis. These policies however, are for the procedures that were in place last year.	No	No	There is currently no procedural document in place to explain the process of payroll, or the roles and responsibilities of individuals since the migration of payroll to an outsourcing faculty. There is a risk that staff follow out of date procedures which results in staff facing delays in receiving their pay.	Medium	The Council will ensure a procedural document is in place to detail the roles and responsibilities and changes in process to the outsourcing of payroll since April 2017.	By October 2018	Shona Mason / Debbie Childs
---	--	----	----	---	--------	---	-----------------	--------------------------------

Area: Starters, Leavers and Amendments

2	Starters	Yes	No	For a sample of 20 new starters we found that:	Low	The Council will ensure that all contracts are signed by both the Council and the employee in a timely manner.	Currently in place	Shona Mason / Debbie Childs
	<p>The MHR system is an integrated IT system.</p> <p>New starter information is input into the system by HR officers. This will include salary, national insurance number, the individuals line manager etc.</p> <p>Through an electronic workflow all starter information is forward on to a payroll officer. The payroll officer will subsequently activate the account.</p>			<ul style="list-style-type: none"> For three of the new starters there was no starter form in place. This is because two were Election Assistants and one was an Election Canvasser who would be temporary staff and therefore require a less stringent process. For five of the new starters there was no signed contract. Three of these instances were the same individuals who did not have a starter form. For the other two, one was an employee who had left the Council twice and the other was a Grounds Maintenance employee. The council are chasing the Grounds Maintenance employee for a signed contract as we were informed this is a common occurrence with that team. There was no authorisation on starter forms from anybody at the council. However, the HR team create a spreadsheet with the employee's details in and the check occurs when the Payroll Coordinator creates a second spreadsheet verifying the employee's details. 		<p><i>Management Comment:</i></p> <p><i>The Payroll Administrator holds information on which contracts have been received and those that have not and will continue to chase for a period of time. However due to the limited resources within the team this will not be done indefinitely.</i></p> <p><i>We do not issue contracts for Election staff.</i></p> <p><i>We have measures in place to track whether contracts have been returned so I am happy to accept this recommendation on the basis that we will continue to do what we are doing and review in 6 months.</i></p>		

- We found that all new starters were added to the payroll system in a timely manner.

There is a risk that employees at the Council may not be fully aware of their roles and responsibilities, without having a signed contract in place.

3	Leavers	Yes	No	For a sample of 10 employees we found that:	Low	The Council will ensure that all leaver's checklists are completed, authorised by the appropriate individual(s) and stored on record.	Currently in place	Shona Mason / Debbie Childs
	<p>Leaver information is captured by the HR team via a notification from line management. A leavers form is completed to ensure all tasks relating to processing a leaving employee have been completed.</p> <p>Through an electronic workflow the payroll team are prompted to remove the leaver from the payroll system.</p>			<ul style="list-style-type: none"> • For six leavers, there was no leavers form in place that had been authorised by a respective manager and to confirm date of leave. • For the remaining four leavers, there was a leavers form in place with supporting correspondence confirming the individuals leaving date. However, in one instance, there was no authorisation on the leavers form. • We found that all leavers were removed from payroll in a timely manner as per their leaving date. 		<p><i>Management Comment:</i> <i>During the last year the HR team has been significantly under resourced with the outsourcing of payroll to contend with. It is likely that these two factors will have impacted on processes.</i></p> <p><i>The leaver's checklist is not authorised by managers – it is completed by a member of the HR team to confirm all leaver's tasks have been completed.</i></p>		
				<p>There is a risk that not having authorised leavers forms on file could result in leavers not being removed from payroll in a timely manner to prevent overpayment. In line with best practice, we would advise we would advise that all</p>		<p><i>The "authorisation" would be the resignation letter and acknowledgement letter. This provides the</i></p>		

completed leavers forms should be retained on file.

confirmation that the employee is leaving.

4	Amendments	Yes	No	<p>Until October 2017, changes to bank details were completed using a form. However, this has since changed as employees can now change this detail on the Council intranet. Once changed, the Payroll Coordinator is emailed confirming the change has occurred. MHR have supplied a standard form for employees that are not able to change their bank details on the intranet themselves.</p> <p>For a sample of five changes to the standing data on the system we found that:</p> <ul style="list-style-type: none"> • For three amendments selected there was a clear segregation of duties between the requester and authoriser. • For one amendment to a decrease in contract hours, a letter was sent to the employee informing them of the change. However, the Council did not receive any confirmation of the employee receiving this letter nor did the council issue a new contract to confirm the change in hours. • For one amendment to an employee signing up for £243 of childcare vouchers each month, the Council should have received a notification from the suppliers so that HR could 	Low	<p>The Council will also ensure that correspondence between HR and the employee is kept on file, where an amendment has occurred.</p> <p><i>Management Comment:</i></p> <p><i>We will request a signed "acceptance" of the letter to be returned to be held on file.</i></p>	April 2018	Shona Mason / Debbie Childs
---	-------------------	-----	----	---	-----	--	------------	--------------------------------

Amendments to standing data are made by a member of the HR team. A senior member of HR authorises the change, and an administrator carries it out. Exception reports detailing changes to salary are reviewed by the head of HR ensuring segregation of duties is in place.

A 'monthly changes' spreadsheet is sent to payroll so they can carry out the change of standing data on the system.

As with starters and leavers, once HR have updated the information a member of the payroll team activates the changes on the account.

authorise the change. This would update the system and notify the employee that they would now be charged monthly for the vouchers. There was no audit trail to evidence this.

- We found that all amendments had been sent to the Payroll Coordinator as per the monthly changes spreadsheet.

We found that all amendments were reflected in the monthly payroll in a timely manner.

By not keeping an audit trail of HR authorising amendments, there is a risk that employees of the Council are not aware of any changes to their payroll.

Page 32

Area: General Ledger, Payroll and HR Records

5	Reconciliations	Yes	No	<p>Reconciliations should all be signed off by a preparer and then receive a second signature from the Senior accountant as evidence of authorisation.</p> <p>After the transfer of the payroll service has 'calmed down', it was agreed that the key control accounts: net pay, PAYE and Pensions would be formally signed off by two separate signatories.</p> <p>However, we selected a sample of five reconciliations from the main control accounts for a period from August 2017 until the time of audit</p>	Medium	<p>Management will ensure that, as agreed, reconciliations should continue to be performed on a monthly basis. They will be calculated by the Financial Accountant before being signed off by the Senior Accountant. The signed copies will be stored on file.</p>	April 2018	Chris Morgan
	<p>Reconciliations between payroll and the general ledger are undertaken by the Council's finance team.</p> <p>Control accounts exist for the main payroll, pensions and PAYE postings. The reconciliation is undertaken by the Exchequer Team Leader and is checked</p>							

Agenda Item 4
Annexe 1

by the senior accountant.

and whilst we found that all control accounts reconciled and these had been completed monthly, we established that there had not been any formal sign off by two signatories. There is a risk that the reconciliations are not being signed off in a timely manner and are not receiving adequate scrutiny from a separate member of staff.

6	Exception Reports	No	No	We established that the payroll exception reports get computed by MHR, the outsourced payroll provider, before sending to the payroll co-ordinator for corrections and amendments.	Low	Management should consider whether to implement a set limit on the differences that have been computed by MHR. This will assist speed and scrutiny of review by the payroll co-ordinator.	October 2018	Shona Mason / Debbie Childs
Page 33	Previously exception reports were produced by EEBC payroll officer with any variances over £50 getting reported to the Head of HR.			We selected the three months from August (payroll co-ordinator hired) to the time of audit and confirmed that a condensed spreadsheet of net pay differences had been computed by the payroll co-ordinator.		<i>Management Comment:</i>		
	Since the migration to an outsourced payroll, exception reports are sent to the Payroll co-ordinator with all element differences from previous month to current month.			Currently there is no limit on the differences checked by the co-ordinator. There is a risk that key differences are missed because of variation in checking separate months.		<i>We will consider implementing a set limit when we are writing the new policies and procedures</i>		
	The payroll co-ordinator, then computes a condensed version of this report and focuses on differences in net pay. This will be checked by the payroll coordinator, with no exception limits. This is currently done							

without checking over a set limit (e.g.£50 as it used to be).

Since the migration to outsourced payroll, and the departure of the payroll officer, the Council found they were not verifying the exception reports and so the payroll co-ordinator was brought in, during August 2017.

PLANNING INCOME - EXECUTIVE SUMMARY

1.1 Background

An audit of Planning Income was undertaken at Epsom and Ewell Borough Council (EEBC) as part of the approved internal audit plan for 2017/18.

At the time of the audit, the Planning Team consisted of the Planning Development Manager, two full time Officers, one part time Officer, one Graduate (ending July 2018) and two contractors who provide ad-hoc support to the whole department. It was also noted that the current Head of Place Development would be leaving the Council at the end of March 2018, and EEBC are currently in the process of recruiting a successor.

EEBC had received c1,700 planning applications for the period 1 April 2017 - 12 March 2018. Fees in relation to planning applications are determined by the Town and Country Planning Regulations, which were originally enforced in 2012, with an update to the fee structure provided in the 2017 amendment to the statute. Whilst planning fees are set by these regulations, EEBC have the ability to determine fees for pre-application advice and these are currently reviewed by the Environment Committee on a yearly basis.

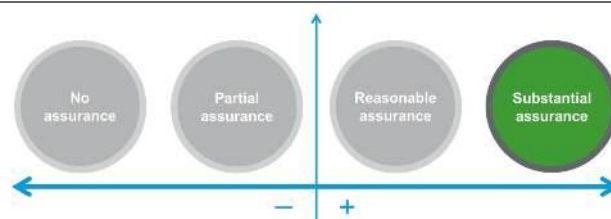
As at the end of period 11, £320k YTD (budget £348k) of planning income had been received, however since this date a further c£30k of planning fee income has been received against a full year budget of £380k. It was also noted per the period 11 budget monitoring report that £24.6k of income had been received in relation pre-applications against a full year budget of £25k.

1.2 Conclusion

Our review identified that the design of control framework in operation at EEBC was sound. However, our testing identified a low number of exceptions in relation to the application of these controls, as such we have agreed a number of management actions to address these concerns.

Internal audit opinion:

Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage the identified area(s) are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

Design, Application and Compliance with the Control Framework:

We have identified three 'Low' priority issues requiring management actions in relation to the application of control framework in operation, which can be seen in section 2 below.

We have also identified the following examples of sound design and application of control framework in operation:

- Fees and charges in relation to planning applications are set by the Town and Country Planning Regulations and are updated periodically, with the last update to fees in January 2018. We reviewed the EEBC website and confirmed that the latest fees were available to applicants and were in line with the regulations.

- Fees and charges in relation to the Pre-Application Advice are subject to review and approval by the Environment Committee annually.
We confirmed that the fees for the current and next fiscal years (2017/18 & 2018/19) were reviewed and ratified by the Environment Committee in January 2017 and January 2018 respectively.
- Fees in relation to applications are determined based on the application submitted, and are due at the time of submission. As part of the validation process undertaken by Case Officers, receipt of payment is confirmed.
- Crystal reports detailing income received are run daily by finance, and a member of the support team reconciles payments to applications, confirming receipt of payment within Uniform prior to the validation process.
- Exchequer Services post planning income received either in Planning Application Fees (db030) or Pre-Application Advice Fees (db057), within the finance system, Civica.
- For a judgemental sample of 25 determined applications for the period 1 April 2017 – 12 March 2018, we confirmed:
 - All had been verified by the Case Officer as complete prior to a decision being made and planning permission being provided.
 - All income had been correctly posted within the finance system to Planning Application Fees / Pre-Application Advice Fees.
- Quarterly performance review meetings between the Head of Place Development and Finance Account Manager are in operation.
- A review of planning income is undertaken as part of the monthly Leadership Team meetings. We reviewed the minutes from the Leadership Team meetings, and whilst Planning Income is not discussed in detail, a high level review of the budget statement for the Head of Place Development is discussed.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
Fees and Charges	0	(2)	0	(2)	0	0	0
Income Due Calculations	0	(1)	1	(1)	1	0	0
Accounting for Income	0	(2)	1	(2)	1	0	0
Pre-payments	0	(1)	0	(1)	0	0	0
Debtor monitoring	0	(1)	0	(1)	0	0	0
Performance Monitoring	0	(2)	1	(2)	1	0	0
Total	3	0	0	0	3	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
-----	---------	----------------------------------	---------------------------------	---------------------------------	----------	-----------------------	---------------------	-------------------

Area: Income Due Calculations

1.1	<p>Planning application fees are due on submission, and payment can be made via:</p> <ul style="list-style-type: none"> The EEBC Portal; Card; or Cheque. <p>As part of the validation process, the Case Officer will review the information provided to ensure that all</p>	Yes	No	<p>We reviewed a judgemental sample of 25 determined applications, and identified that in all cases, a Case Officer had validated the application prior to a formal decision being made.</p> <p>However, in one instance where a fee was not taken / required, we were unable to ascertain the rationale of why a fee was not required. EEBC believe upon investigation this was due to Article 4 direction (permitted development rights removed).</p>	Low	In instances where fees are not required to be paid by applicants, a rationale will be documented within Uniform to explain why.	30 April 2018	Planning Officers
-----	---	-----	----	---	-----	--	---------------	-------------------

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<p>documentation and fees have been submitted.</p> <p>Where these have not been submitted correspondence will be submitted to the applicant informing them why an application is invalid.</p> <p>Where an application has been validated, this is confirmation that the Case Officer is satisfied that the correct fee has been paid.</p>			Where the rationale for not taking a fee is not clearly documented, this is a potential loss of planning income to the Council.				

Page 38

Area: Accounting for Income

2.1	<p>Crystal reports detailing all payment receipts are run daily by finance and a member of the support team reconciles receipt of payments to the relevant applications within Uniform and confirms payment has been received.</p> <p>Case Officers will review Uniform to confirm payment has been received as part of</p>	Yes	No	<p>We reviewed a judgemental sample of 25 determined applications, and we identified:</p> <ul style="list-style-type: none"> In one instance (£172), the fee was not confirmed as received but the application had been validated and a decision made (Permitted). We were unable to locate payment through the Crystal reports. <p>We could also not identify any communication had been sent to the applicant chasing payment at any time.</p>	Low	<p>Case Officers will verify that receipt of payment has been made by the Support Team prior to working on applications.</p> <p>Prior to informing the applicant of the decision, a review to confirm payment will be undertaken.</p>	30 April 2018	Case Officers / Planning Development Manager
-----	---	-----	----	---	-----	---	---------------	--

Agenda Item 4
Annexe 1

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	the validation process noted above.			If Case Officers review and determine planning applications prior to payment, EEBC will incur loss of income to which they are due.				
Area: Performance Monitoring								
3.1	<p>Quarterly performance meetings are in place between the Head of Place Development and the Account Manager within Finance.</p> <p>As part of these meetings, a line by line review of the revenue and capital budget is undertaken.</p> <p>No formal minutes / actions are taken to record the result of discussions, however the respective action owner is expected to follow up any actions and provide feedback.</p>	No	N/A	<p>During the review we were provided with an example of where the Head of Place Development had followed up an action arising from the Q3 (December 2017) Meeting.</p> <p>However, a lack of a formalised process for determining actions, owners and dates for implementation increases the risk that these are not completed and fed into the information reported to management / Board to enable effective decision making.</p>	Low	<p>Actions arising from the Quarterly meetings between the Account Manager and the Head of Place Development will be documented to ensure each party is aware of the actions arising from the meeting.</p>	30 June 2018	Account Manager / Head of Place Development (Successor)

CORPORATE GOVERNANCE - EXECUTIVE SUMMARY

1.1 Background

Governance relates to those leadership systems and structures that together determine and control the way in which the Council manages its business, formulates its strategies and objectives and sets about delivering its services to the Public.

The Accounts and Audit Regulations 2011 require the Council to prepare and publish annually a statement on the adequacy of its internal control and governance framework. This is known as the Annual Governance Statement (AGS).

This audit reviewed the content of the AGS in light of the CIPFA/SOLACE guidance on delivering good governance which was refreshed and updated in 2016. We also examined in further detail processes within the organisation for recording, responding to and monitoring formal complaints.

1.2 Conclusion

Corporate Governance controls are well defined and evidenced within the AGS

We note that the formal complaints system has gone through a process of revision and update in 2017/18. Going forward there is scope to introduce controls that report upon complaint analysis and trends on a more regular basis together with training for all staff in the revised complaints procedure.

Internal audit opinion:

Taking account of the issues identified, the Council can take reasonable assurance that the controls in place to manage this area are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area(s).



1.3 Key findings

The key findings from this review are as follows:

We have raised three '**medium**' and one '**low**' priority management actions. Detail of the '**low**' priority management action can be found at section 2 below. The '**medium**' actions relate to:

- The complaints system was amended from January 2018 and was reduced from a three stage internal escalation process to a simpler 2 two stage process. In addition, a narrower requirement for a formal complaint was to be adopted. We note however that in order to maintain consistency and clarity across the organisation this narrower definition of a formal complaint must be defined in writing and communicated to all staff. This will differentiate between a standard rectification request in respect of a service failure and a 'formal complaint'. In addition, 'complaint' training for staff will be provided to provide an overview of the new stage process and narrower definition. **(Medium, 2.1)**

- On a monthly basis, the overall number of complaints received is captured and recorded on the EEBC corporate dashboard for Leadership Team review and scrutiny. We confirmed that the last 'detailed' report to the leadership team regarding the departmental source of complaints occurred in December 2017 and referred to the October/ November 2017 period. A previous report in July 2017 referred to complaints for the period January to March 2017. Going forward six-monthly reports will be provided to the leadership team within two months of the end of the quarter to provide detail and comparison with previous periods regarding the number of complaints received by department / the type of complaint received / the stage level reached and the percentage responded to within the 15 day target response time. **(Medium, 2.3)**
- A monitoring update on complaints received has not been provided to the Audit, Crime & Disorder and Scrutiny Committee in the last 12 months. Officers have agreed that an annual monitoring update will be provided to members through a report to the Audit Committee. It will report upon year on year trends in complaint numbers overall and at a department level. It will also feature commentary on the number of complaints reaching stage 2 and Local Government Ombudsmen level and on overall compliance with the 15 day response target. **(Medium, 2.4)**

Notwithstanding the above we noted the following examples of well designed and applied controls:

- The annual statement of Corporate Governance is approved and signed by the Chair of Strategy and Resources and the Chief Executive. In order to demonstrate adherence to the CIPFA / SOLACE guidance on delivering good governance, the Head of Corporate Governance completes a checklist of those areas that support the overall Annual Governance Statement and these areas of assurance are listed in the statement itself. These reported areas of control assurance are commensurate with our own observation of governance systems within the organisation.
- Individual divisional service area governance statements are required from each Head of Service. These statements require the Head of Service to sign a statement declaring that services have been delivered in accordance with legislation, local financial regulations, standing orders, contract procedure rules and that efficient and effective processes are in place. In particular, control weakness and risks which impact on service delivery are listed in this statement together with actions intended to mitigate their outcome. We satisfactorily verified the signed and completed divisional statements of assurance for 2016/17 and these statements clearly set out responsibilities and accountability for service delivery and the reporting of control weaknesses and known risks from individual heads of service. In addition, the 2016/17 Annual Governance Statement includes a gap analysis that highlights six areas for further control and governance improvement.
- Our review this year also examined the management of formal complaints. A complaints process has been clearly prescribed and is available on the EEBC website. There is now a potential two stage internal complaint process depending on how far the complainant wishes to escalate the issue. As a third stage the complainant can go the Local Government Ombudsman to lodge the complaint. Formal complaints are captured and managed on the Microsoft Dynamics database. We satisfactorily confirmed that the system provides robust controls and records details relating to complaints received. In respect of all of our five sampled cases we found:
 - that the case had been assigned a unique reference number
 - Officers responsible for responding were clearly flagged
 - Key dates accurately recorded the receipt and closure/ escalation of the complaint
 - Links to key documents (original receipt / responses etc)
- Complaints recorded on the system are satisfactorily monitored on a day to day basis by the Business Support Supervisor and automated prompts within the system ensure officers within responsible departments are reminded of deadline times for responding to the resident.
- We verified that in the last published year (2016/17) the Local Government Ombudsman reported that six referred cases were investigated in detail. Two of these were upheld and four were rejected.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
The annual governance statement is supported by an evidence based assessment in accordance with guidance provided by CIPFA and Solace.	0	(2)	0	(2)	0	0	0
Clear processes efficiently capture formal complaints, record their progress and the corresponding response from Council Officers.	1	(2)	0	(2)	1	0	0
Target times for response are set and measured.	1	(1)	0	(1)	0	1	0
Aggregated performance data is routinely monitored for developing trends in specific services to ensure lessons are learnt and that services improve.	0	(1)	1	(1)	0	1	0
Members are routinely informed of complaint statistics together with explanatory narrative.	1	(1)	0	(1)	0	1	0
Total					1	3	0

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
-----	---------	----------------------------------	---------------------------------	---------------------------------	----------	-----------------------	---------------------	-------------------

Area: Clear processes efficiently capture formal complaints, record their progress and the corresponding response from Council Officers;

2.1	A complaints process has been prescribed and is available on the EEBC website. There is a potential 2 stage internal complaint process (with a third stage to the LG Ombudsman).	Yes	To be improved	<p>A two stage complaints process was implemented from January 2018 and replaced a three stage internal process. In addition, from January a narrower definition of a complaint was determined. The intention was to remove those routine areas of service failure where tenants simply requested rectification; this related particularly to missed bins from the weekly refuse collection service.</p> <p>We note from discussion with officers that there has been no recent training for staff across the organisation regarding complaint</p>	Medium	In order to maintain consistency and clarity across the organisation the new written definition of a complaint will be provided and communicated. This will differentiate between a standard rectification request in respect of a service failure and a 'formal complaint'. In addition, 'complaint' training for staff will be provided to give an overview of the new two	31 July 2018	Emma Jeffery Contact Centre Manager
-----	--	-----	----------------	--	--------	--	--------------	---

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				handling and that there is no written guidance regarding the new narrower definition of a complaint. There is a consequent risk that complaints may be inconsistently recorded and processed going forward.		stage process and narrower definition.		
Area: Target times for response are set and measured;								
2.2	The Complaints Procedure and Customer Charter are both published on the EEBC website. However, these refer to different target times for complaint responses, with the procedure suggesting 15 working days and the Charter ten working days.	No	N/A	Where timescales are not consistent there is a lack of clarity for residents and therefore a risk of confusion and unrealistic expectations.	Low	Correction is required to the Customer Charter currently available to view on the Council's website. This will be updated to reflect that the new target time for responding to formal complaints is now set at 15 working days.	Implemented in March 2018	Emma Jeffery Contact Centre Manager
Area: Aggregated performance data is routinely monitored for developing trends in specific services to ensure lessons are learnt and that services improve;								
2.3	The Leadership Team is routinely updated with overall complaint numbers and detailed reports relating to source departments.	Yes	No	We confirmed that the last detailed report to the leadership team regarding the departmental source of complaints occurred in December 2017 and referred to the October/ November 2017 period. A previous report in July 2017 referred to complaints for the period January to March 2017. As well as highlighting the departmental source of complaints it	Low	Going forward, quarterly reports will be provided to the leadership team within two months of the end of the quarter to provide detail and comparison with previous periods regarding the number of complaints received by department / the type of complaint received / the stage level	31 July 2018	Joy Stevens Head of Customer Services Business Support

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>also categorised complaint by type and stage level reached. It did not record the percentage of complaints responded to within the target timeframes.</p> <p>We did not identify any further detailed monitoring reports to the leadership team for complaints received within 2017/18.</p> <p>Prompt and full complaints monitoring provides a key monitoring indicator and overall assurance that an organisation is delivering effective quality services. Its 'routine' absence weakens governance processes.</p>		reached and the percentage responded to within the 15 day target response time.		
<p>Area: Members are routinely informed of complaint statistics together with explanatory narrative</p>								
2.4	A monitoring update on complaints received has not been provided to the Audit, Crime & Disorder and Scrutiny Committee in the last 12 months.	No	N/A	Complaints monitoring provides a key monitoring indicator and assurance function that the Council is delivering effective quality services. Its absence weakens governance processes.	Medium	An annual monitoring update will be provided to members through a report to the Audit Committee. It will report upon year on year trends in complaint numbers overall and on a department level. It will also feature comment on the number of complaints reaching stage 2 and Local Government Ombudsmen level and	June 2018	Joy Stevens Head of Customer Services & Business Support

Page 45

Agenda Item 4
Annexe 1

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
-----	---------	----------------------------------	---------------------------------	---------------------------------	----------	-----------------------	---------------------	-------------------

on overall compliance to the 15-day response target for complaints.

INTERNAL AUDIT STRATEGY 2018/19

Report of the: Head of Corporate Governance
Contact: Gillian McTaggart
Urgent Decision?(yes/no) No
If yes, reason urgent decision required:
Annexes/Appendices (attached): **Annexe 1** - Internal Audit Strategy 2018/19
Other available papers (not attached):

Report summary

This report introduces the updated internal audit strategy for 2018/19.

Recommendation (s)

- (1) That the Committee endorses the Strategy for Internal Audit for 2018/19 as prepared by RSM.**

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 The internal audit work programme is designed to review and evaluate the risk management, control and governance arrangements that the Council has in place to establish and monitor the achievement of the Council's objectives. It also identifies, assesses and manages the risks to achieving those objectives.

2 Background

- 2.1 Internal Audit provides the Council through the Audit, Crime & Disorder and Scrutiny Committee with an independent and objective opinion on risk management, control and governance. RSM has provided internal audit services to Epsom and Ewell Borough Council, as part of a Consortium since April 2005.
- 2.2 RSM use the Council's objectives as a starting point to develop the internal audit plan, then they evaluate our risk management process and place reliance on the risk registers to inform the audit strategy.

- 2.3 The Chief Finance Officer and the Leadership Team are consulted in compiling the Audit Strategy.
- 2.4 There is scope for modification should the Committee be concerned that a particular risk area has not been properly addressed in the Strategy. There is also scope to amend the Strategy during the year should alternative work be required. A representative from RSM will be available at the meeting to discuss the methodology for the Strategy and answer any questions raised.
- 2.5 The Committee's terms of reference includes the requirement to monitor implementation of recommendations from the external and internal auditors.
- 2.6 The Committee endorsed the previous Strategy for Internal Audit for 2017/18 on 11 April 2017.

3 Proposals

- 3.1 That, the Committee endorses the Strategy (**Annexe 1**) subject to any amendments identified as important to cover risks not adequately addressed in the draft Strategy.
- 3.2 The specific considerations for the Committee are stated in section 4.0 of the Strategy (**Annexe 1**). They are:
 - 3.2.1 Is the Committee satisfied that sufficient assurances are being received within our annual plan to monitor the Council's risk profile effectively ?
 - 3.2.2 Does the Strategy for internal audit cover the Council's key risks as they are recognised by Committee?
 - 3.2.3 Are the areas selected for coverage this coming year appropriate?
 - 3.2.4 Is the Committee content that the standards within the Charter (attached as Appendix D to **Annexe 1**) are appropriate to monitor the performance in internal audit?
- 3.3 As in previous years there is a follow up allocation to track the adequacy of the Council's arrangements for implementing previous recommendations and an allocation for audit management including liaising with the District Auditor.

4 Financial and Manpower Implications

- 4.1 The audit days proposed are 199 days which can be funded from the provision for internal audit within the Strategy and Resources Committee budget.

4.2 The budget includes a small separate provision for investigation work outside of the plan where this cannot be contained within the audit programme.

4.3 **Chief Finance Officer's comments:** None for the purposes of this report.

5 Legal Implications (including implications for matters relating to equality)

5.1 RSM comply with professional responsibilities as set out in the International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors. Their Internal Charter (Appendix D of **Annexe 1**) clarifies quality assurance and improvement measures.

6 Sustainability Policy and Community Safety Implications

6.1 None.

7 Partnerships

7.1 The Council continues to work in partnership with Mole Valley, Reigate and Banstead, Tandridge, Waverley and Surrey Police.

7.2 This is the final year of the contract, which ends on 31 March 2019.

8 Risk Assessment

8.1 Internal Audit has an independent and objective consultancy role to help line managers improve risk management, governance and control.

9 Conclusion and Recommendations

9.1 The proposed internal audit coverage for 2018/19 is based on the Council's needs as assessed by RSM, in order to provide a cost effective means of delivering internal audit that is compliant with statutory requirements and government and international audit standards.

9.2 The recommendation is that the Committee endorses the Strategy, subject to any modifications agreed with the Director at the meeting.

Ward(s) Affected: (All Wards);

This page is intentionally left blank



EPSOM AND EWELL BOROUGH COUNCIL

Internal Audit Strategy 2018-2021

Presented at the Audit, Crime & Disorder and
Scrutiny Committee meeting of:

19 April 2018



This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.

CONTENTS

1	Introduction.....	2
2	Developing the internal audit strategy.....	3
3	Your Internal Audit service	6
4	Audit, Crime & Disorder and Scrutiny Committee requirements.....	7
	Appendix A: Internal audit plan 2018/19	8
	Appendix B: Internal audit strategy 2018 – 2021	12
	Appendix C: Continuous Assurance.....	19
	Appendix D: Internal audit charter.....	21
	Appendix E: Our client care standards.....	25
	For further information contact	26

1 INTRODUCTION

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting Epsom and Ewell Borough Council in the year ahead, including changes within the sector.

1.1 Background

Over the past year, the Council has seen some changes to posts within its senior management team. It has also ended the shared service arrangement it had with another local council in the area of IT and is therefore working to increase in-house capacity and infrastructure for IT. The Council's key priorities as set out in the Corporate Plan 2016-20, continue to be:

- Keeping the Borough Clean and Green
- Supporting our Community
- Managing our Resources
- Supporting Businesses and our Local Economy

2 DEVELOPING THE INTERNAL AUDIT STRATEGY

We use your objectives as the starting point in the development of your internal audit plan.

2.1 Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk registers / assurance framework to inform the internal audit strategy. We have used various sources of information (see Figure A below) and discussed priorities for internal audit coverage with the following people:

- Senior management
- Audit, Crime & Disorder and Scrutiny Committee

Based on our understanding of the organisation, the information provided to us by the stakeholders above, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high level strategic plan (see appendix A and B for full details).



Figure A: Sources considered when developing the internal audit strategy

2.2 How the plan links to your key priorities

Each of the reviews that we propose to undertake is detailed in the internal audit plan and strategy within appendices A and B. In the table below we bring to your attention particular key audit areas and discuss the rationale for their inclusion or exclusion within the strategy.

Area	Reason for inclusion or exclusion in the audit plan/strategy	Link to strategic objective
Project Management	<p>A number of projects are underway, and we will review the Council's project management methodology and complete a deep dive into two projects in order to assess the extent to which the methodology is applied. Initial indications are that one project for review may be the CRM system.</p> <p>This has been highlighted by management as an area worthy of review to ensure the methodology continues to be complied with and that projects are not allowed to stagnate.</p>	<ul style="list-style-type: none"> • Keeping the Borough Clean and Green • Supporting our Community • Managing our Resources • Supporting Businesses and our Local Economy
Health and safety management	<p>Review of health and safety processes and procedures. This audit will consider the Council's compliance with policies and procedures, including who is responsible for completing key activities. We will also review the Council's processes for fire risk assessments, including how assurance is gained that actions identified during assessments are implemented.</p> <p>Fire risk assessment is considered a key area for review following the Grenfell Tower fire in 2017.</p>	<ul style="list-style-type: none"> • Supporting our Community • Managing our Resources
Continuous assurance	<p>Quarterly testing of an agreed set of controls to give assurance regarding ongoing compliance. Possible areas of review are set out in Appendix C.</p> <p>We have discussed this with management and will use this series of reviews to give ongoing assurance over some of the key financial processes, including revenues, benefits, capital accounting and debtors rather than completing detailed reviews in these areas.</p>	<ul style="list-style-type: none"> • Managing our Resources
IT Audit	<p>Rolling programme of IT audits. The scope of this will be determined in year, once the Council has completed bringing its IT services back in house.</p>	<ul style="list-style-type: none"> • Managing our Resources
Income from s106 agreement and implementation of the Community Infrastructure Levy	<p>To provide assurance that the control framework reflects changes as a result of the introduction of the Community Infrastructure Levy. At Officers' discretion, it will also consider how the existing s106 income is managed and monitored to ensure spent appropriately.</p>	<ul style="list-style-type: none"> • Managing our Resources

Area	Reason for inclusion or exclusion in the audit plan/strategy	Link to strategic objective
Governance arrangements for property investment company	A review of the processes the Council has in place for oversight of the new property investment company. This will include consideration of how responsibilities are assigned and how decisions are recorded to ensure in line with agreed policies.	<ul style="list-style-type: none"> Managing our Resources
Contract management	Our contract management specialists will provide a workshop on contract management, building on the training previously delivered and using current Council related examples.	<ul style="list-style-type: none"> Managing our Resources

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes: a contingency allocation, time for tracking the implementation of actions and an audit management allocation. Full details of these can be found in appendices A and B.

2.3 Working with other assurance providers

The Audit, Crime & Disorder and Scrutiny Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

3 YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Mike Cheetham, supported by Lorna Raynes and Chris Benn as your client managers.

3.1 Fees

Our fee to deliver the plan will be in accordance with the contractual Deed of Variation signed on 2 May 2017.

3.2 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to Audit, Crime & Disorder and Scrutiny Committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

3.3 Conflicts of interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

4 AUDIT, CRIME & DISORDER AND SCRUTINY COMMITTEE REQUIREMENTS

In approving the internal audit strategy, the committee is asked to consider the following:

- Is the Audit, Crime & Disorder and Scrutiny Committee satisfied that sufficient assurances are being received within our annual plan (as set out at appendix A) to monitor the organisation's risk profile effectively?
- Does the strategy for internal audit (as set out at appendix B) cover the organisation's key risks as they are recognised by the Audit, Crime & Disorder and Scrutiny Committee?
- Are the areas selected for coverage this coming year appropriate?
- Is the Audit, Crime & Disorder and Scrutiny Committee content that the standards within the charter in appendix C are appropriate to monitor the performance of internal audit?

It may be necessary to update our plan in year, should your risk profile change and different risks emerge that could benefit from internal audit input. We will ensure that management and the Audit, Crime & Disorder and Scrutiny Committee approve such any amendments to this plan.

APPENDIX A: INTERNAL AUDIT PLAN 2018/19

Audit	Objective of the review	Audit approach	Proposed timing	Proposed Audit, Crime & Disorder and Scrutiny Committee
Risk Based Assurance				
Project Management	A number of projects are underway, and we will review the Council's project management methodology and complete a deep dive into two projects in order to assess the extent to which the methodology is applied. Initial indications are that one project for review may be the CRM system.	Assurance	July 2018	October 2018
Homelessness – housing needs and temporary accommodation	The Council has undertaken a number of initiatives for the provision of temporary accommodation. Assurance is sought that an appropriate process is followed from a governance perspective in that the allocation of funds results in satisfactory provision through the identification of a feasible property, the development of that property, and the use of that property to meet the housing needs to essentially obtain a return on the investment. This audit is in place of two (housing needs and temporary accommodation) carried forward from 2017/18.	Assurance	August 2018	October 2018
Health and safety management	Review of health and safety processes and procedures. This audit will consider the Council's compliance with policies and procedures, including who is responsible for completing key activities. We will also review the Council's processes for fire risk assessments, including how assurance is gained that actions identified during assessments are implemented.	Assurance	May 2018	October 2018
IT Audit	Rolling programme of IT audits. The scope of this will be determined in year, once the Council has completed bringing its IT services back in house.	TBC	January 2019	April 2019

Audit	Objective of the review	Audit approach	Proposed timing	Proposed Audit, Crime & Disorder and Scrutiny Committee
HR Management	Review of key areas of HR to ensure processes are operating as planned. Area of focus to be determined with management.	Assurance	April 2018	June 2018
Income from s106 agreement and implementation of the Community Infrastructure Levy	To provide assurance that the control framework reflects changes as a result of the introduction of the Community Infrastructure Levy. At Officers' discretion, it will also consider how the existing s106 income is managed and monitored to ensure spent appropriately.	Assurance	May 2018	October 2018
Corporate governance	An annual review of the governance arrangements in place. This will focus on decision making processes within the Council.	Assurance	January 2019	April 2019
Governance arrangements for property investment company	A review of the processes the Council has in place for oversight of the new property investment company. This will include consideration of how responsibilities are assigned and how decisions are recorded to ensure in line with agreed policies, and will consider this for both the Council and the Directors of the Company.	Assurance	May 2018	October 2018
Contract management	Our contract management specialists will provide a workshop on contract management, building on the training previously delivered and using real life examples.	Advisory	TBC	TBC
Core Assurance				
Risk management	Annual review of process ensuring that compliance with the control framework continues to operate as planned.	Assurance	February 2019	April 2019
Grant reviews	Allocation of time to allow for the routine internal audit review of grant claims. This is likely to comprise review of the 'bus grant'.	Compliance	October 2018	January 2018

Audit	Objective of the review	Audit approach	Proposed timing	Proposed Audit, Crime & Disorder and Scrutiny Committee
Community safety	To consider the Council's arrangements for Community Safety, including its membership of the East Surrey Community Safety partnership. We will also consider the extent to which it meets its seven statutory duties.	Assurance	June 2018	October 2018
Controls Compliance				
Treasury management	Review of compliance with controls in this area.	Compliance	November 2018	February 2019
Payroll	To ensure that payments are made to staff in line with contracts of employment and that the control framework continues to operate in a period of staff changes.	Compliance	December 2019	February 2019
Continuous assurance	Quarterly testing of an agreed set of controls to give assurance regarding ongoing compliance. Indicative controls for testing are set out in Appendix C.	Key controls	Quarterly	As completed
Other internal audit activity				
Contingency	To allow additional reviews to be undertaken in agreement with the Audit, Crime & Disorder and Scrutiny Committee or management based in changes in risk profile or assurance needs as they arise during the year.	N/a	tbc	tbc
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	Follow up	Ongoing	As completed

Audit	Objective of the review	Audit approach	Proposed timing	Proposed Audit, Crime & Disorder and Scrutiny Committee
Management	This will include: <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Audit, Crime & Disorder and Scrutiny Committee • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion 	N/a	Throughout the year	N/A

NB: Resources allocated to individual audits have taken into consideration the level of risk assigned to the area by the client, our knowledge of any existing client controls, including how effective these are, and the specialist nature of the area being reviewed. The resource level applied for the delivery of the area of work is reviewed as the detailed scope of the work is agreed with the executive lead.

APPENDIX B: INTERNAL AUDIT STRATEGY 2018 – 2021

Assurance Map key (prior assurance)				
No assurance	Partial assurance	Reasonable assurance	Substantial assurance	Advisory

Proposed area for coverage	Internal audit coverage	Previous internal audit coverage	2018/19	2019/20	2020/21
Risk based assurance					
Project Management	A number of projects are underway, and we will challenge the Council's project management methodology to determine the adequacy and effectiveness of the approach taken across a sample of projects identified.	2015/16	✓		
Contract Management - transport	This audit will be an in depth review of contract management of the new transport contract to ensure that it provide best value to the Council and are operated in such a manner as to maximise benefit at minimal cost. This is through the review of the use of variations orders, management of costs incurred in and out of the contract, the repairs process and the management of any challenges through the operational use of the vehicles.	2017/18			✓
Private sector leasing	Compliance with requirements for the provision of this scheme. Notably the entitlement to support, and the landlord responsibilities of maintenance and servicing.	2017/18			✓

Proposed area for coverage	Internal audit coverage	Previous internal audit coverage	2018/19	2019/20	2020/21
Homelessness – housing needs and temporary accommodation	The Council has undertaken a number of initiatives for the provision of temporary accommodation. Assurance is sought that an appropriate process is followed from a governance perspective in that the allocation of funds results in satisfactory provision through the identification of a feasible property, the development of that property, and the use of that property to meet the housing needs to essentially obtain a return on the investment.	N/a	✓		
Health and safety management	Review of health and safety processes and procedures.	N/a	✓		
IT Audit	Rolling programme of IT audits	2015/16 (PCI compliance) (Software licensing) 2016/17 (PCI compliance) 2017/18 (Cyber security)	✓	✓	✓
Information Governance/Data Protection	This audit will test the implementation of management actions concerning data security, extending to retention of data.	2015/16 2017/18			✓
HR Management	Review of key areas of HR to ensure processes are operating as planned. Area of focus to be determined with management.	2015/16 (Attendance) (Recruitment)	✓		
Income from s106 agreement and implementation of the Community Infrastructure Levy.	To provide assurance that the control framework reflects changes as a result of the introduction of the Community Infrastructure Levy, as well as the general management of s106 income.	N/a	✓		

Proposed area for coverage	Internal audit coverage	Previous internal audit coverage	2018/19	2019/20	2020/21
Performance Management and the implementation of the Corporate Plan	This audit will focus on the processes which are used to ensure that implementation of the corporate plan and associated performance targets set.	2015/16			
Delivery of the local plan	Development and delivery of the local plan in line with the Government direction that Councils must produce local plans for new homes in their area by 2017 – or the government will ensure, in consultation with local people, those plans are produced for them. Assurance is sought that the Council has progressed with the local plan and that it is on track to meet this target to avoid penalties through the DCLG's powers of intervention.	2017/18			✓
Implementation of Business Performance Review	Management have implemented business process reviews across activities of the Council. We will review the implementation of the actions identified to ensure full completion for the achievement of the planned change.	2016/17 (Democratic services) 2017/18 (Homelessness)		✓	
Planning and development	Review of the operational practices followed or the receipt and consideration of planning applications so ensure that the service is operated appropriately with all income due recovered. Income received has declined.	2016/17 2017/18		✓	
Property maintenance and asset management	This review will consider whether the decision to purchase was made according to Council policies.	2015/16 2017/18		✓	
Workforce planning	Review of the processes used by management to determined staffing resources required, to include the Depot and use of agency staff.	2016/17		✓	

Proposed area for coverage	Internal audit coverage	Previous internal audit coverage	2018/19	2019/20	2020/21
Property acquisition	The Council has moved forward with the plan and has purchased two properties. Our review will challenge the purchase process to ensure that decision making, governance and due diligence arrangements are appropriate and the operation of the facilities procured is then appropriate.	2017/18			✓
Procurement	To challenge the processes followed by the Council to ensure that the Transparency code is met, as well as legislative requirements such as OJEU compliance, are properly considered.	2016/17		✓	
Lintons Lane	This review sought to confirm the facts surrounding the S106 agreement reached with the developer of Lintons Lane and to identify control failing in respect of financial contributions due and remedial action taken going forward.	2016/17		✓	
Corporate governance	An annual review of the governance arrangements in place. Scope to be agreed as part of annual planning cycle.	2016/17 2017/18	✓	✓	✓
Governance arrangements for property company	A review of the processes the Council has in place for oversight of the new property company. This will include consideration of how responsibilities are assigned and how decisions are recorded to ensure in line with agreed policies.	N/a	✓		
Contract management	Our contract management specialists will provide a workshop on contract management, building on the training previously delivered and using real life examples.	N/a	✓		

Core Assurance					
Income activities:	Rolling programme of compliance	2015/16 (Venues) (Green Waste) (Car parking) 2017/18 (Booking system)	✓		
Emergency planning and civil contingency arrangements	Compliance with requirements in this area for local authorities.	2017/18	✓		
Review of Anti-Fraud and Anti-Bribery arrangement	Specialist desk based review of policies relating to fraud and bribery to ensure these are in line with good practice seen elsewhere in the sector.	2015/16			
Data quality	Review of a selection of reporting indicators to ensure that the reported performance agrees to source data.	2016/17	✓		
Fleet Management	The Council leases a high number of vehicles and assurance is sought that the contract is managed effectively.	2015/16	✓		
Barrier Controlled Parking Project	To review the projects to provide barrier system parking (also known as pay on foot), in four of the Council's car parks and at the same time review the project management templates.	2016/17			
Risk management	Annual review of process ensuring that compliance with the control framework continues to operate as planned.	2016/17	✓	✓	✓
Allocations, Lettings and Voids	Compliance with procedures in this area	2016/17	✓		
Commercial Rental Income	Management of the identification of income due and collection of that income.	2016/17	✓		
Grant reviews	Allocation of time to allow for the routine internal audit review of grant claims.	Advisory	✓	✓	✓

Agency staff	To review the process followed by management to enter into and manage an agency contract for the supply of temporary staff. The timing has been agreed to allow for the running of the contract for 6 months.	2016/17	✓	
Community safety	To consider the Council's arrangements for Community Safety, including its membership of the East Surrey Community Safety partnership. We will also consider the extent to which it meets its seven statutory duties.	N/a	✓	
Controls Compliance				
Revenues	Review of the core controls to ensure that the correct charges are set, income is recovered and arrears are pursued.	2016/17 2017/18	✓	✓
Benefits	Review of the core controls to ensure that the correct payments are made in line with claims requirements	2016/17 2017/18	✓	✓
Housing Rent Accounting and Reconciliation	Compliance with procedures in this area to ensure that the accounts are reconciled and agreed daily for confidence in financial reporting.	2016/17	✓	
Treasury management	Review of compliance with controls in this area.	N/a	✓	
Financial management and main accounting	This review will challenge the achievement of the four year cost reduction plan approved following consultation with Heads of Service and committee approval. We will also undertake a review of core control functions including budget setting, financial saving identification and monitoring, financial reporting through sound management of the ledger and journal entries.	2016/17	✓	
Cash handling	A review of the management of cash across the all services/departments to determine how income received is banked and recorded in the accounts of the Council.	2015/16 2016/17	✓	

Payroll	To ensure that payments are made to staff in line with contracts of employment and that the control framework continues to operate in a period of staff changes.	2015/16 2016/17 2017/18	✓	✓	✓
Creditors	Orders and payments are made in line with financial regulations.	2016/17			✓
Capital accounting	Review of compliance with controls in this area.	2015/16			
Debtors and income collection	Review of compliance with controls in this area.	N/a			
Continuous assurance	Quarterly testing of an agreed set of controls to give assurance regarding ongoing compliance. Possible areas of review are set out in Appendix C.				
Other Internal Audit Activity					
Contingency	To allow additional reviews to be undertaken in agreement with the Audit, Crime & Disorder and Scrutiny Committee or management based in changes in risk profile or assurance needs as they arise during the year.	N/a	✓	✓	✓
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	Ongoing	✓	✓	✓
Management	This will include: Annual planning Preparation for, and attendance at, Audit, Crime & Disorder and Scrutiny Committee Administration of our actions tracking database – 4Action Regular liaison and progress updates Liaison with external audit and other assurance providers Preparation of the annual opinion	N/a	✓	✓	✓

APPENDIX C: CONTINUOUS ASSURANCE

As part of the internal audit plan we are proposing to visit a number of areas over the financial year in order to provide a high level assurance that key controls are in place and operating effectively in these areas.

These reviews will focus on a suite of controls to be agreed with management. These controls are considered as key risk areas that management require assurance throughout the year of their functionality and effectiveness. We have suggested the controls management may wish to consider for review below:

Area	Control
Finance	For each purchase made there is a corresponding purchase order which has been raised and approved in line with documented delegated authority levels.
Finance	Purchase invoices received are matched to the purchase order and goods received note prior to payment.
Finance	Key control account reconciliations, including bank, debtors, creditors, rents, council tax, NNDR and benefits, are completed on a monthly basis and subject to appropriate review and approval.
Finance	New benefit (housing and council tax support) claims are support by a completed claim form and that clear correspondence is detailed on the Academy system between the claimant and the benefits team to detail the outcome/nature of the claim.
Finance	Changes made to the supplier standing data within the system are supported by documentation from the supplier. A senior member of the finance team reviews all changes that are made for accuracy.
Finance	Income received is allocated to debtors accounts in a timely manner, and that the correct fee has been received for the service paid for. Reconciliations are undertaken to ensure that the income expected as per the source system corresponds to that received in the correct cost centre.
Finance	Council tax discounts and exemptions and NNDR reliefs are applied in line with policy and supported by the required evidence.
Finance	Tenders and quotations have been obtained in accordance with Contract Procedure Rules.
Environmental Services	Trees are inspected on a risk basis by the Council's Tree Officer. Progress is monitored against an inspection plan.

Area	Control
Fleet Management	All Council vehicles are taxed and have a valid MOT certificate, with the expiry dates monitored.
Licensing	Licenses are issued following receipt of the correct fees and charges.
Safeguarding	All appointments to a regulated role are subject to a DBS check prior to being offered a role / a license being granted.
Fleet Management	All drivers of Council-owned vehicles have their driving license checked on an annual basis to ensure they are still fit and legal to drive. Copies of insurance certificates are obtained to evidence the Officer is insured for business usage.

APPENDIX D: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Epsom and Ewell Borough Council. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit, Crime & Disorder and Scrutiny Committee.

The internal audit service is provided by RSM Risk Assurance Services LLP (“RSM”).

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives. An overview of our client care standards are included at Appendix E of the internal audit strategy plan for 2018 – 2021.

The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of internal auditing
- Code of Ethics; and
- The Standards

Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to the Partner Mike Cheetham (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the chief executive, with further reporting lines to the Director of Finance and the Governance and Risk Manager.

The head of internal audit has unrestricted access to the chair of Audit, Crime & Disorder and Scrutiny Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Epsom and Ewell Borough Council. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Audit, Crime & Disorder and Scrutiny Committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the Audit, Crime & Disorder and Scrutiny Committee.

Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Audit, Crime & Disorder and Scrutiny Committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the Audit, Crime & Disorder and Scrutiny Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the Audit, Crime & Disorder and Scrutiny Committee to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Senior management - who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.
- Board of governors - The highest level governing body charged with the responsibility to direct and/or oversee the organisation's activities and hold organisational management accountable. Furthermore, "board" may refer to a committee or another body to which the governing body has delegated certain functions (eg an Audit, Crime & Disorder and Scrutiny Committee).

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit, Crime & Disorder and Scrutiny Committee.

- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The head of internal audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Audit, Crime & Disorder and Scrutiny Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the Audit, Crime & Disorder and Scrutiny Committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under PSIAS, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the Audit, Crime & Disorder and Scrutiny Committee.

Fraud

The Audit, Crime & Disorder and Scrutiny Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit, Crime & Disorder and Scrutiny Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the Audit, Crime & Disorder and Scrutiny Committee is also approving the internal audit charter.

APPENDIX E: OUR CLIENT CARE STANDARDS

- Discussions with senior staff at the client take place to confirm the scope four weeks before the agreed audit start date
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date
- The lead auditor to contact the client to confirm logistical arrangements at least 10 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 10 working days of the debrief meeting, and will be issued by RSM to the agreed distribution list.
- Management responses to the draft report should be submitted to RSM.
- Within three working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

FOR FURTHER INFORMATION CONTACT

Mike Cheetham - Head of Internal Audit

Mike.Cheetham@rsmuk.com

Tel: 020 3201 8219

This page is intentionally left blank

EXTERNAL AUDIT PLAN FOR 2017/18

Report of the:	Chief Finance Officer
Contact:	Lee Duffy, Brendan Bradley
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	Annexe 1 - The Audit Plan Year Ended 31 March 2018
Other available papers (not attached):	

Report summary

This report sets out the approach being taken by the Council's external auditors, Grant Thornton, to the audit of the accounts for 2017/18.

Recommendation (s)

(1) That the Committee endorses the External Audit Plan

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

1.1 This report supports the Council's Key Priority Managing Resources.

2 Background

2.1 Grant Thornton are the Council's current independent external auditors, appointed by the Audit Commission.

2.2 The Council's wholly-owned subsidiary, Epsom & Ewell Property Investment Company, has a separate external auditor; Epsom-based firm, Williams & C, who were appointed following a competitive tendering process.

2.3 The Council's 2017/18 Statement of Accounts will incorporate, for the first time, disclosures that show the combined financial position of the Council and Epsom & Ewell Property Investment Company. These disclosures are known as group accounts.

- 2.4 As part of their Statement of Accounts audit, Grant Thornton will perform sufficient work to gain assurance that the group accounts are materially accurate.
- 2.5 Grant Thornton have prepared an audit plan for the 2017/18 accounts as shown in **Annexe 1**.

3 Proposals

- 3.1 Officers are satisfied that the Audit Plan addresses the key financial and governance issues.
- 3.2 The Committee is asked to endorse the External Audit Plan.

4 Financial and Manpower Implications

- 4.1 Grant Thornton's audit fees are provisionally estimated at £44,708 (excluding VAT) for the main audit and £8,976 for the housing benefit subsidy certification, as set out in the Audit Plan. Grant Thornton expect to discuss and agree a small additional fee with the Chief Finance Officer to cover work relating to the group accounts, prior to the start of the audit.
- 4.2 The Finance Team has plans in place to ensure that the Council's accounts are closed within the statutory deadlines, which are 31st May for unaudited accounts and 31st July for audited accounts.
- 4.3 The Finance Team will have regular contact with Grant Thornton during the process.
- 4.4 **Chief Finance Officer's comments:** The annual audit plan sets out the key stages for the audit process for the 2017/18 accounts. The Council has budgeted for the audit fee and has a plan in place to achieve its financial year end and closing of accounts deadlines.

5 Legal Implications (including implications for matters relating to equality)

- 5.1 Grant Thornton has confirmed that the Audit Plan has been prepared in line with the Local Audit and Accountability Act 2014 and in accordance with the latest Code of Practice issued by the National Audit Office.
- 5.2 **Monitoring Officer's comments:** There are no legal implications arising directly from this report. External Audit reports certification and opinions, form a key part of the Council's governance arrangements.

6 Sustainability Policy and Community Safety Implications

- 6.1 There are no implications for the purpose of this report.

7 Partnerships

7.1 There are no implications for the purpose of this report.

8 Risk Assessment

8.1 The audit of the Council's financial statements comprise a key element of the Council's governance arrangements.

9 Conclusion and Recommendations

9.1 The Committee is asked to endorse the Audit Plan.

Ward(s) Affected: All

This page is intentionally left blank

Contents



Your key Grant Thornton team members are:

Page 84 Sarah Ironmonger
Associate Director
T: +44 1293 554072
E: sarah.l.ironmonger@uk.gt.com

Ade Oyerinde
Manager
T: +44 207 728 3332
E: ade.o.oyerinde@uk.gt.com

Section	Page
1. Introduction & headlines	3
2. Deep business understanding	4
3. Significant risks identified	5
4. Reasonably possible risks identified	7
5. Other matters	8
6. Materiality	9
7. Group audit scope and risk assessment	10
8. Value for Money arrangements	11
9. Audit logistics, team & audit fees	12
10. Early close	13
11. Independence & non-audit services	14
Appendix	
A. Revised ISAs	16

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. This is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Epsom and Ewell Borough Council ('the Council') for those charged with governance.

Respective 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 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 Epsom and Ewell Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

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:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Strategy and Resources committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Strategy and Resources Committee of your responsibilities. It is the responsibility of the Council 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 Council is fulfilling these responsibilities.

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

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- revenue cycle includes fraudulent transactions
- management override of controls
- valuation of property, plant and equipment
- valuation of pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £0.8 million (PY £0.89 million), which equates to 2% of your forecast gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.04 million (PY £0.04 million). We will update our planning materiality for the group on receipt of the draft financial statements.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money identified the following VFM significant risk:

- Investment acquisitions via wholly owned company.

Audit logistics

Our interim visit will take place in March and our final visit will take place during June and July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £44,708 (PY PSAA set fee: £44,708) for the Council.

Independence

We have complied with 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

Deep business understanding

Changes to service delivery	Changes to financial reporting requirements	Key challenges
<p>Commercialisation</p> <p>The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version was published in December 2017.</p>	<p>Business rates</p> <p>In September 2017, the government launched a prospectus inviting local authorities to submit proposals to pilot 100% business rates retention in 2018/19. Surrey councils worked together to submit a bid. It was announced in December 2017 that Surrey will be one of the 10 new pilots. The overall benefit to Surrey is in excess of £20 million and anticipated benefit to the Council would be in the order of £500k.</p>	<p>Accounts and Audit Regulations 2015 (the Regulations)</p> <p>The Ministry of Housing, Communities and Local Government (MHCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.</p> <p>Changes to the CIPFA 2017/18 Accounting Code</p> <p>CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments</p>
		<p>Financial pressures</p> <p>Epsom and Ewell has consistently been in a strong financial position than most other authorities and this is not expected to change in 2017/18. As at December 2017, the revenue forecast outturn projects a slight overspend of £21k which will be covered by an equal amount of contributions from the general fund reserves. Unsurprisingly, pressures are not likely to ease in coming years, particularly as further reductions in government funding impacts on the medium term financial strategy. The Council must continue to adapt to the impacts that this has on service provision within the local economy.</p> <p>Property investment company</p> <p>The Council set up a wholly owned property investment company in accordance with the approved Property Investment Strategy 2017-20. During the same period, a £300 million borrowing limit was approved by full Council for capital investment property acquisitions. During 2017/18, capital investment acquisitions of £60 million were undertaken by the Property Investment Company. A shareholder sub committee of the Strategy and Resources Committee has been delegated to oversee the Council's functions as sole shareholder of the Company. The Council will prepare group accounts for the first time in 2017/18 as the value of transactions of the wholly owned company is material.</p>

Our response

- We will consider your arrangements for managing and reporting your financial resources, including your use of investment vehicles as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your group financial statements, we will consider whether your group financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code and the impact of impairment assessments and the adequacy of provisions in relation to business rates appeals..

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; • the culture and ethical frameworks of local authorities, including Epsom and Ewell Borough Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Epsom and Ewell Borough Council.</p>
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness; • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness; • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of property, plant and equipment	<p>The Council revalues its land and buildings on a rolling basis over a five year period to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • consider the competence, expertise and objectivity of any management experts used; • discuss with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions; • review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding; • test a sample of revaluations made during the year to ensure they are input correctly into the Council's asset register; • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; • consider the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out; • undertake procedures to confirm the reasonableness of the actuarial assumptions made; • check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Employee remuneration	<p>Payroll expenditure represents a significant proportion of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness; • gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; • undertake substantive analytical procedures on payroll data; • review year end reconciliations of the payroll to the ledger.
Operating expenses	<p>Non-pay expenses on other goods and services also represents a significant proportion of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • review control account reconciliations; • sample test operating expenditure; • test year end creditor payments; • test for unrecorded liabilities and manual accruals.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of 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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

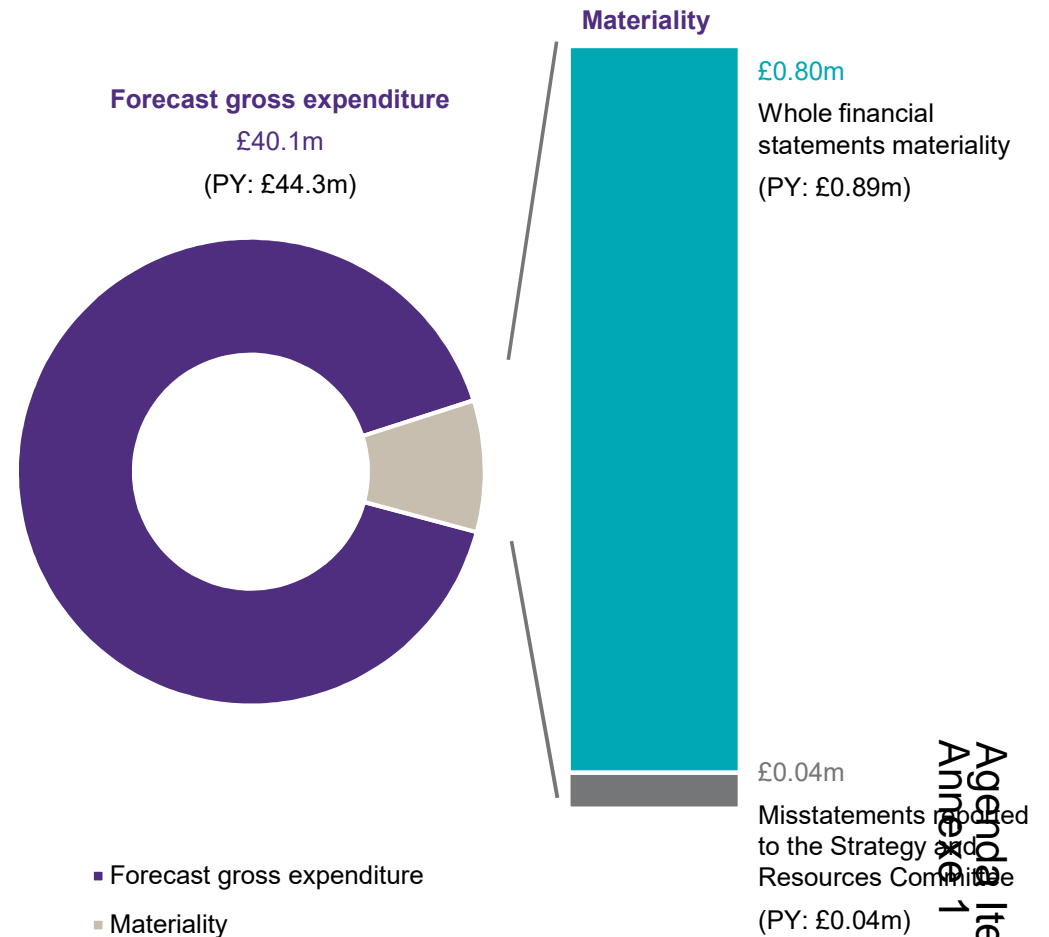
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £0.80m (PY £0.89m), which equates to 2% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

Matters we will report to the Strategy and Resources Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Strategy and Resources Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.04m (PY £0.04m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Strategy and Resources Committee to assist it in fulfilling its governance responsibilities.



Group audit scope and risk assessment

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.

Component	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
Epsom and Ewell Property Investment Company (EEPIC)	Yes	Targeted	<p>EEPIC constitutes a significant component of the Council's group, and is wholly owned by the Council.</p> <p>Elements of the financial statements of EEPIC Homes including the PPE investment is material to the financial statements of the Council.</p>	<p>The audit of EEPIC will be delivered by a separate auditor.</p> <p>We will perform sufficient work to enable us to gain assurance that the Council's group financial statements are not materially misstated.</p>

Page 92

Audit scope:

- Comprehensive** – the component is of such significance to the group as a whole that an audit of the components financial statements is required
- Targeted** – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit
- Analytical** – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

Involvement in the work of component auditors

The nature, time and extent of our involvement in the work of EEPIC auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the EEPIC auditor audit documentation and meeting with appropriate members of management.

Agenda Item 6
Annexe 1

Value for Money arrangements

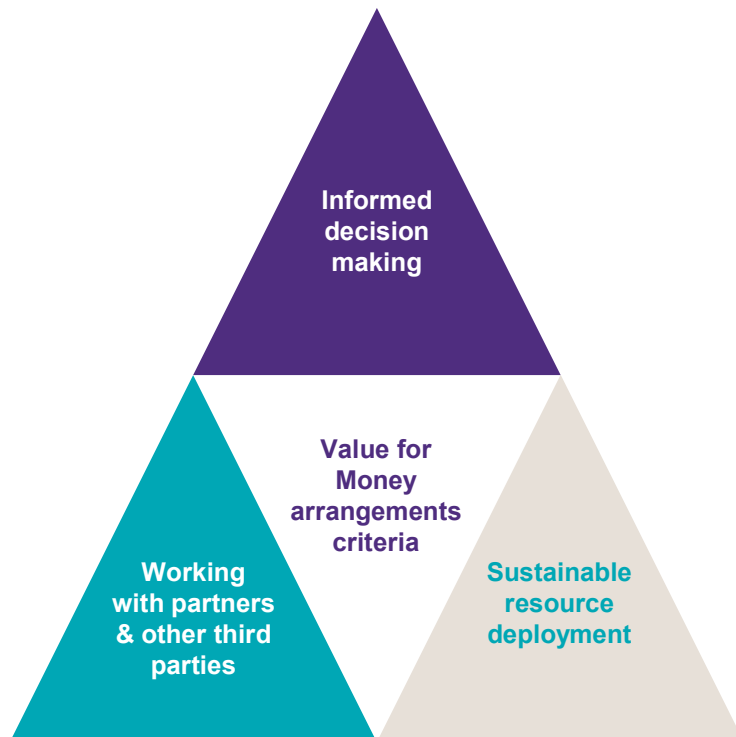
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



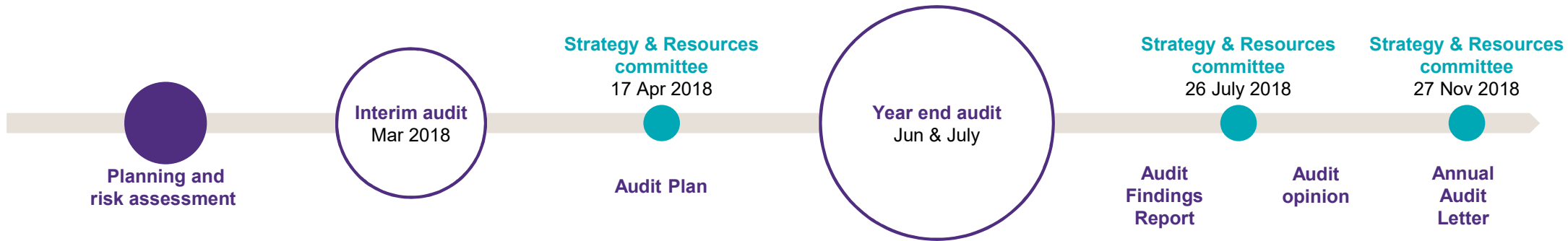
Investment acquisitions via wholly owned company

As part of the Council's four year Corporate Plan and Medium Term Financial Strategy, for the first time made material property investment acquisitions via a wholly owned property trading company. The Council made a loan to, and invested in the Company to enable the purchase of the investment properties. The Council funded the investment in the wholly owned Company through a combination of loans and use of reserves.

Planned response

We will update our understanding of the Council's governance and financing arrangements to ensure proper informed decisions and deployed resources achieve planned outcomes for taxpayers and local people.

Audit logistics, team & audit fees



Sarah Ironmonger, Engagement Lead

Sarah will be the main point of contact for the Chief Executive and the Chief Finance Officer. Sarah will share her wealth of knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with Senior Management Team and the Strategy and Resources Committee. Sarah will ensure our audit is tailored specifically to you and is delivered efficiently. Sarah will review all reports and the team's work focussing her time on the key risk areas of your audit.



Ade Oyerinde, Audit Manager

Ade will work with the Chief Finance Officer and senior members of the finance team, ensuring early delivery of testing and agreement of accounting issues on a timely basis. Ade will attend Strategy and Resources Committees, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all. Ade will work with Internal Audit to secure efficiencies and avoid duplication, providing assurance for your Annual Governance Statement and Narrative report.

Audit fees

The planned audit fees are no less than £44,708 (PY PSAA set: £44,708) for the financial statements audit and £8,976 for the grant certification (PY PSAA set: £9,773). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change. Preparation and audit of group accounts is deemed a significant change. We will discuss and agree with Chief Finance Officer the additional fee prior to the start of the audit.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Achieving the earlier deadline requires a joint effort from audit and finance teams. Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 11). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

As we have previously agreed with you, our expectations of your finance team is you will:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with 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 December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

The following audit services was identified, no non-audit services was identified.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefit grant	8,976	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,976 in comparison to the total fee for the audit of £44,708 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
None			

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Agenda Item 6
Annex 1

Appendix

A. Revised ISAs

Page 97

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">the directors use of the going concern basis of accounting is appropriatethe directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">responsibilities of management and auditors regarding other informationa statement that the opinion on the financial statements does not cover the other information unless required by law or regulationreporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



© 2018 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank

REVIEW OF THE COMMUNITY AND WELLBEING SERVICES

Report of the:	Head of Operational Services
Contact:	Linda Scott
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Annexes/Appendices (attached):	None
Other available papers (not attached):	Report and Minutes of the meeting of the Community and Wellbeing Committee, 21 March 2017
	Report and Minutes of the meeting of the Social Committee meeting, 29 October 2015.
	Report and Minutes of the meeting of the Audit, Crime & Disorder and Scrutiny Committee meeting, 6 October 2015.

Report summary

This report presents a review of the implementation of recommendations from the Scrutiny review of Routecall undertaken in 2015. It includes a review of Routecall and associated services managed within the Community and Wellbeing Services department of the Council.

Recommendation (s)

That the Committee notes:

- (1) The progress made on implementing the recommendations contained within the review of the Routecall service.**

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 This report links to the key priority of "Supporting our Community".**

2 Background

- 2.1 A scrutiny review of the Routecall service was completed in October 2015 by the Audit, Crime & Disorder and Scrutiny Committee, to ensure that the service met the needs of residents and was cost effective to provide.
- 2.2 A number of recommendations were made for the service. These recommendations were agreed by the Social Committee on 29 October 2015.
- 2.3 On 21 March 2017 the Community and Wellbeing Committee agreed to the rebranding of the services within the Community Services operation. The Committee requested that the Audit, Crime and Disorder and Scrutiny Committee undertake a review of the rebranded services in April 2018.

3 Progress on recommendations

- 3.1 A review of progress against each of the recommendations agreed by the Social Committee in October 2015 is provided below.
- 3.2 **Recommendation one** "That the Social Committee considers rebranding Route call to reflect developments of the service."

Actions

- It was agreed at the Community and Wellbeing Committee of the 21 March, that Community Services should be rebranded as "Community and Wellbeing Services" with a strap line of "Supporting you".
- 3.3 The table below shows the agreed rebranding that was implemented on the 3 April 2017.

Previous branding	Agreed rebranding
Routecall	<p>Transport from Home</p> <p>This reflects the uniqueness of the service.</p> <p>The following visits are included:</p> <ul style="list-style-type: none"> • Community and Wellbeing Centre • Shopping (Town Centre and Sainsbury's) • Personal(Medical appointments, hairdressers etc.) • Excursions
Community Alarm and Telecare	<p>Community Alarm+</p> <p>The added '+' symbol, gives a clearer vision when marketing the service that there are additional devices that can connect to the Council's Community Alarm system. The devices enable independent living for the frail residents of the Borough; enabling them to remain within their own homes securely for longer.</p>
Meals on Wheels	<p>Meals at Home</p> <p>This reflects the uniqueness of the service which enables independent living for the frail residents of the Borough.</p>
Wellbeing Centre	<p>Wellbeing Daycare+</p> <p>The Wellbeing Centre was reviewed and rebranded as "Wellbeing Daycare+". This was due to the loss of the Personalisation Prevention and Partnership funding, and the Service level agreement grant for higher needs daycare within the Longmead Centre.</p>

	<p>The symbol + was added to enforce the clear vision to clients that they are being offered the benefits of the many health activities alongside the daycare service. This service was launched on 5 March 2018.</p>
--	---

- 3.4 **Recommendation two** "That the newly developed service should be promoted to current members but also more widely to attract new members."

Actions

- Services have been promoted by targeting need. The Community and Wellbeing team has worked closely with Surrey County Council and Surrey Downs Clinical Commissioning Group on a pilot project known as Social Prescribing. This project identifies and directs clients that would benefit from using the comprehensive number of services available from Epsom & Ewell Borough Council that could improve their well-being. This has been successful in raising the awareness of our services within the care and medical professions who are, in turn, referring their patients to our services.
- Leaflets have been designed with the agreed new branding for Community and Wellbeing Services. These will be placed on information boards, which advertise the services available by Epsom & Ewell Borough Council. It is envisaged that there will be one of these boards in every Doctor's surgery within the Borough over the coming year. Officers are also identifying other areas within the Borough where these could be placed.
- The Wellbeing Daycare+ Service will also be advertised using borough banner boards in South Street and on the Community and Wellbeing services vehicles.

- 3.5 **Recommendation three** "To explore the potential of accessing new, smaller, more cost-effective vehicles for Routecall (factory built) which are responsive to the needs of the Routecall members."

Actions

- The fleet has been reviewed with careful consideration given to the needs of the clients and the restructuring of staff. The staff have now been trained and are multi-disciplined to carry out all of the services available within their daily duties. They can now switch efficiently from one role to another as needs demand. This ensures the best use of the resources throughout the day whilst also allowing for further growth within the transport service.
- The fleet now consists of four Minibuses which are factory built. They are wheelchair accessible and have 14 seats. With this fleet we are optimising the service to meet its key priority, which is to ensure that all clients wishing to attend the Community and Wellbeing Centre can do so, even during peak days.
- We have been able to maximise the numbers for excursions, keeping the price reasonable and covering the full cost of the service.
- The factory built vehicles provide the benefit of a more comfortable journey, with the additional advantage of air conditioning which the old fleet did not have.
- We have retained the three smaller vans which are ideal for the delivery of "Meals at Home" and "Community alarm+"
- Also retained are the two vehicles owned by us through grant funding. These are used for trips by service users to doctors, hairdressers or when visiting a friend etc. They also provide service resilience when any of the fleet needs maintenance through servicing and MOT's.

- 3.6 **Recommendation four** "The reduction of Routecall buses as per recommendation five, set out in the report of the Head of operational services, subject to confirmation of viability and future service resilience."

Actions

- The fleet has been reduced from nine vehicles (which included one spare vehicle) to six vehicles.
- The Community and Wellbeing service has retained the 3 small vans which are used for Meals at Home and Community Alarm+.

- The reduction and changes have been a success and at the same time given us the opportunity to develop the service that we can offer our residents.

3.7 **Recommendation five** "That consideration is given to the feasibility of merging Route Call, Meals on Wheels and Community Alarm into one Community and Well-being service unit where staff are trained to deliver across all three services as needs require."

Actions

- This action has taken place, and has been successful. The Driver technicians, as they are now known, have committed to the change and are ambassadors for the services.
- The Driver technicians are multi skilled as their assigned role across the day can change, for example, driving the 14 seat vehicle at peak times switching at midday to deliver meals at home, or the installation of Community alarm+.

3.8 **Recommendation six** "That the Council seeks to replace the current operating system with a new system known as Flexiroute, subject to the confirmation of viability, affordability and compliance with current Council IT systems and procurement requirements."

Actions

- We have now purchased the Flexiroute system. It is now live for the Meals at Home service, which will be followed by Transport from Home once testing has been successfully completed.
- The process to develop this system has taken longer than anticipated. This is because we were the first user of the system that wanted it to be able to manage all services within one application. We also required the system to be able to deliver pre-payments on the booking of the travel, which it was not previously able to do. The Scrutiny review identified these two innovative ideas, and it took the software developer's time to understand our need and develop a system that could accommodate these requirements.

3.9 **Recommendation seven** "To increase Route Call membership fees in line with Council's recommendation of at least 3%."

Actions

- This was agreed by Community and Wellbeing Committee, and the 3% increase made.

- 3.10 **Recommendation eight** "To increase Route Call fares by 20% and to discontinue single fare options."

Actions

- This was agreed by Community and Wellbeing Committee and this recommendation was carried out.

- 3.11 **Recommendation nine** "That excursions should be provided on a cost neutral basis."

Actions

- We have been able to maximise the number of excursions ensuring that they are cost neutral.
- We have excursions every Monday except on bank holidays.

- 3.12 **Recommendation ten** "To cease to accept cash payments paid on Routecall buses and instead to look to introduce a system that which requires non-refundable payments to be made at the time of booking."

Actions

- This option has been built into the new Flexiroute system and a pilot has been carried out of prepayment for excursion bookings which has been very successful and ensured that there has been no loss of income by 'no show' of clients on the day of travel. It has also reduced the number of 'no show' clients.

- 3.13 **Recommendation 11** "The Audit, Crime & Disorder and Scrutiny Committee to review Routecall again within 12 months to assess the impact of changes made".

Actions

- This report provides a review of the service.

4 Financial and Manpower Implications

- 4.1 The net cost of the Community and Wellbeing service following the actions set out in report is detailed below.

	Budget 2015/16	Budget 2017/18	Reduction on Budgets from 2015/16 to 2017/18
Transport from Home	373,213	288,191	

Community Alarm +	-58,718	-27,528	
Meals at Home	23,446	-22,494	
Totals	<u>337,941</u>	<u>238,169</u>	<u>99,772</u>

- 4.2 Rebranding of the Community Services is managed within the Community and Wellbeing services team.
- 4.3 The financial funding was set aside from the 2017/18 Personalisation, Partnership and Prevention fund.
- 4.4 **Chief Finance Officer's comments:** None arising from the contents of this report.

5 Legal Implications (including implications for matters relating to equality)

- 5.1 None arising from the contents of this report.

6 Sustainability Policy and Community Safety Implications

- 6.1 None for the purposes of this report.

7 Partnerships

- 7.1 None for the purposes of this report.

8 Risk Assessment

- 8.1 Continuation of marketing will be necessary to ensure the sustainability of all services.

9 Conclusion and Recommendations

- 9.1 This report provides a review of the Council's Community and Wellbeing service, following the Scrutiny Review of Routecall undertaken in 2015. The Audit, Crime & Disorder and Scrutiny Committee is asked to note the progress made on implementing the recommendations contained within that review.

Ward(s) Affected: (All Wards);

ANNUAL REPORT

Report of the:	Chief Legal Officer
Contact:	Margaret Jones
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Annexes/Appendices (attached):	Annexe 1 – Annual Report
Other available papers (not attached):	None

Report summary

This report presents the Annual Report of the Audit, Crime & Disorder and Scrutiny Committee for 2017/18.

Recommendation (s)

That the Committee:

- (1) Approves the Annual Report 2017/18 attached at Annexe 1 to this report**
- (2) Authorises the Scrutiny Officer in consultation with the Chairman to make appropriate amendments or additions to the Annual Report 2017/18 as a result of business transacted at this meeting.**

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 The work of the Audit, Crime & Disorder and Scrutiny Committee has the potential to cut across all of the Council's Key Priorities and Core Values. It does, however, impact the Key Priority 'Managing our Resources' and the Core Value 'Continuous Improvement' in particular.

2 Background

- 2.1 Under Article 6 of the Constitution the Audit, Crime & Disorder and Scrutiny Committee is required to report annually to the Council on its workings and make recommendations for future work programmes and amended working methods if appropriate. The Annual Report of the Audit, Crime & Disorder and Scrutiny Committee 2017/18 is attached at **Annexe 1**.

3 Proposals

- 3.1 It is proposed that the Committee approves the Annual Report 2017/18 attached at **Annexe 1** and agrees that the Scrutiny Officer in agreement with the Chairman make such amendments and/or additions necessary to reflect the outcome of the current meeting.

4 Financial and Manpower Implications

- 4.1 There are no financial or manpower implications for the purpose of this report.
- 4.2 **Chief Finance Officer's comments:** None for the purposes of this report.

5 Legal Implications (including implications for matters relating to equality)

- 5.1 There are no particular legal implications for the purpose of this report.
- 5.2 **Monitoring Officer's comments:** None for the purposes of this report.

6 Sustainability Policy and Community Safety Implications

- 6.1 There are no particular sustainability policy implications for the purpose of this report.

7 Partnerships

- 7.1 There are no particular partnership implications for the purpose of the report.

8 Risk Assessment

- 8.1 The Audit, Crime & Disorder and Scrutiny Committee will need to consider its Annual Report at its April meeting in order for Council to receive it this current municipal year.

9 Conclusion and Recommendations

- 9.1 The Committee is asked to consider and approve its Annual Report 2017/18 attached at **Annexe 1** for submission to Council as required by Article 6 of the Constitution.

Ward(s) Affected: (All Wards);

This page is intentionally left blank

Annual Report of the Audit, Crime & Disorder and Scrutiny Committee 2017/18

1. Introduction

- 1.1 This Annual Report provides Council with an overview of the work of the Audit, Crime & Disorder and Scrutiny Committee undertaken during 2017/18.
- 1.2 Over the course of the year, the work of the Committee was undertaken by its ten members. Specific investigative work was undertaken by a scrutiny panel appointed in February 2016.
- 1.3 Attendance at the four formal meetings of the committee during 2017/18 is set out in the table below.

Member	Actual Attendance at Meetings*	Nominated Substitute*
Councillor David Reeve (Chairman)	3	
Councillor Steve Bridger (Vice Chairman)	3	
Councillor Alex Clarke	2	1
Councillor George Crawford	1	1
Councillor Rob Geleit	3	
Councillor Jan Mason	2	
Councillor Humphrey Reynolds	3	
Councillor Jean Steer	2	
Councillor Peter Webb	3	
Councillor Clive Woodbridge	3	

*Figures to be updated following April 2018 meeting.

- 1.4 In June 2017 the Committee considered and agreed its work programme for 2017/18. The work programme was designed to ensure that the Committee met its statutory and local responsibilities and provided the Council with added value and reassurance. An overview of the main items is set out below.

Effectively Holding Decision Makers to Account

- 1.5 A key element of the Committee's role is to support effective, transparent and accountable decision making. To enable the Committee to meet this responsibility it undertakes a number of different activities. The Committee has the power to review policy committee decisions made but not yet implemented through the Council's Call-in procedure and to consider an annual report on the use of delegated powers at the Council.
- 1.6 During 2017/18 the Committee did not receive any requests to use its call-in power. In June 2017, the Committee was informed that thirty one significant decisions, taken by officers in consultation with Committee Chairmen, had been recorded since 12 May 2016 (or were pending) on the Council's delegated decision proforma. The Committee did not raise any particular concerns regarding these decisions.
- 1.7 The Audit, Crime & Disorder and Scrutiny Committee has a responsibility to monitor progress on the Council's Corporate Plan. As such, it received regular performance reports throughout 2017/18. No particular issues were raised by the Committee.

However, in February 2018, the Committee was informed of a change in performance management reporting arrangements. From the end of September 2017 the reporting of performance targets was aligned more with the financial reporting process. Reports are now issued to councillors direct. The Audit, Crime & Disorder and Scrutiny Committee will continue to receive regular performance management reports to reflect its on-going responsibilities in this area.

- 1.8 In February 2017 the Audit, Crime & Disorder and Scrutiny Committee agreed it should receive an annual report on the Regulation of Investigatory Powers Act 2000 (RIPA). The Committee asked to be informed of any changes in the law, changes in authorised officers, whether training had been provided to authorised officers, and usage of RIPA powers by the Council. Following consideration by the Committee, the Council's RIPA arrangements were inspected by the Office of Surveillance Commissioners. A set of recommendations was received by the Council. The annual RIPA report scheduled for consideration by the Committee in 2017/18 has been deferred. However, it will be presented to the Committee in June 2018 following consideration of the updated RIPA policy by the Strategy & Resources Committee in April 2018.
- 1.9 Lastly, in June 2017, in recognition of the Committee's duty to scrutinise decisions and actions of the local Community Safety Partnership (CSP), the Committee received a report on the work and position of the Epsom and Ewell Community Safety Partnership 2016/17. The Committee noted the work undertaken and received a verbal update on arrangements and priorities following the merger of Epsom and Ewell CSP with the East Surrey CSP.

Contributing to more effective policies, Improving Services, and Improving the Quality of Life for Local People

- 1.10 The Audit, Crime & Disorder and Scrutiny Committee has a role to play in securing improvements to Council services and in considering the social, economic and environmental wellbeing of the Borough. In relation to this latter area the Committee has the ability to report on any matter which affects Epsom and Ewell as well as its residents.
- 1.11 In February 2018 the Audit, Crime & Disorder and Scrutiny Committee received a follow up report to a 2016 scrutiny review of the Administrative Arrangements for Publicising and Determining Planning Applications. All scrutiny recommendations made, bar two, have been implemented. The Committee agreed that its recommendation regarding potential review of the Council policy on telecommunications masts sited on Council land, be taken forward by the Head of Property and thereafter reported to the appropriate Committee. It was informed that the recommendation to undertake a customer satisfaction survey would be undertaken once resources allowed.
- 1.12 Progress made against recommendations of another scrutiny review was reported to the Committee in April 2018. The Committee received an update on the Routecall Review undertaken in 2015.
- 1.13 In February 2016, the Committee agreed to undertake a Review of Venues. It appointed a Scrutiny Review Task Group to undertake the investigatory work. Review work on Epsom Playhouse, the third venue reviewed, commenced in January 2017 and continued into 2017/18. The Task Group undertook a number of different evidence gathering exercises which sought input from various parties both internal and external. On conclusion of the review no specific recommendations were made, but the Task Group highlighted a number of matters under three headings – Equipment, Income

Generation and Building - for further exploration. The Audit, Crime & Disorder and Scrutiny Committee approved the final report of the Task Group in November 2017. The Report was presented to the Community & Wellbeing Committee in January 2018.

- 1.14 Review by the Committee of the last venue included within the original 2015 review scope - Ewell Court House - was removed from the Committee work programme 2017/18. This was due, in part, to the relatively short period of time the venue had been operating since its refurbishment; it was considered that any value secured from a review at this time would be minimal. The Committee, however, could include this particular piece of work in any of its future work programmes.

Adding Value

- 1.15 Throughout 2017/18 the Audit, Crime & Disorder and Scrutiny Committee received regular audit reports. Internal Auditors attended each Committee meeting to present their findings and answer members' questions. In November 2017 the Committee considered an audit of Emergency Planning at the Council. In response to a request of the Committee, a Members' Briefing Evening designed to provide emergency response training for councillors is now planned for June 2018. It will cover issues such as how to react, signposting to responsible authorities and use of social media.
- 1.16 In June 2017 the Committee received the Internal Audit Assurance Report 2016/17 together with an assessment of the internal auditor's performance by the then Acting Director of Finance & Resources. No reports were issued with a 'no assurance' level during 2016/17. The Internal Auditors overall opinion recorded that the Council had an adequate and effective framework for risk management, governance and internal control. To ensure it remained adequate and effective, enhancements were identified.
- 1.17 Progress on the implementation of high and medium Internal Audit recommendations was reported to the Committee in February 2018. Progress on implementing the recommendations agreed in 2016/17 had been good overall. However, the Committee did ask for an update in November 2018 on progress made in relation to three recommendations where no action had been taken.
- 1.18 At the June 2017 meeting the Committee confirmed the adequacy of the arrangements made for preparing the Council's Annual Governance Statement. The Committee endorsed the 2016/17 Annual Governance Statement prior to it being certified by the Chief Executive and Chairman of Strategy & Resources Committee.
- 1.19 Finally, the Committee considered the Council's risk management framework in November 2017. It confirmed that it was satisfied with the arrangements in place, but did raise one matter for consideration by the Leadership Team regarding the Council's Leadership Risk Register - Risk L8: Monitoring the Plan E Project Plan and assess impact. The Committee expressed the view that an action plan to address any problems with the implementation of Plan E should be produced.

Conclusion

- 1.20 The Audit, Crime & Disorder and Scrutiny Committee wishes to record its particular thanks to all those who contributed to the work of the Committee over the year and thereby enabled it to meet its responsibilities for 2017/18.

This page is intentionally left blank