

Auditor's Annual Report on Epsom and Ewell Borough Council

2020-21

November 2021



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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. It 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 all 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.

Executive summary

Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether Epsom and Ewell Borough Council (the 'Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any significant risks in respect of any of the three criteria:

-  Financial sustainability
-  Governance
-  Improving economy, efficiency and effectiveness



Financial sustainability

We assessed the arrangements concerning Financial Sustainability and raised no indications of potential significant weaknesses.

We note the Council is operating in an increasingly uncertain financial environment and for the second successive year, the Comprehensive Spending Review was a single year spending review. Whilst the Council will need to continue to plan with a lack of certainty over funding in the medium term it has the assurance of a track record of delivering robust financial plans.



Governance

We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses.

The Council has demonstrated that both its business as usual and temporary arrangements arising due to Covid-19 were appropriately robust and applied across the organisation.



Improving economy, efficiency and effectiveness

We assessed the arrangements concerning the 3e's and raised no indications of potential significant weaknesses.

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Covid-19 has had an adverse impact on a number of KPIs but the Council, despite having to re-deploy and alter priorities, was still able to maintain a large proportion of its services as planned.

Opinion on the financial statements

We have audited the financial statements of Epsom and Ewell Borough Council and its subsidiary (the 'group') for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on the following pages.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council has consistently demonstrated a track record of robust budget setting and delivery. We have reported previously that the processes in place incorporates an appropriate level of challenge and scrutiny from Committees to ensure budgets are achievable operationally, there a good level of support from finance to ensure budgets are achievable from a resourcing perspective and timely and accurate budget monitoring throughout the year to ensure budgets remain relevant with risks identified quickly. The strong processes underpinning financial management has allowed the Council to consistently identify significant financial pressures and build these into short and medium term plans.

In 2019/20 the Council recorded an underspend of £11k on its revenue account (within 1% of budget) in what was a challenging year. Covid-19 did not particularly impact the 2019/20 financial position. Covid-19 evidently had a major impact on the Council's operations in 2020/21 and will continue to do so in 2021/22 and beyond. Before the official declaration of a pandemic in March 2020 the Council had already approved its 2020/21 budget and its Medium Term Financial Plan (MTFS) for 2020-24. These financial projections included minimal uses of reserves to deliver balanced budgets over the life the of the MTFS (£450k between 2022 and 2024 which is less than half of the contribution to reserves of £1.3m planned for 2021/22). Consequently, despite a need to make savings £1.8m over the MTFS the Council's financial position was looking healthy with reserves as at 31 March 2020 of £18.5m (general fund and strategic reserves).

The initial projections at the start of the financial year projected that between £4.7m and £8m of reserves would need to be utilised just for 2020/21. However once there was clarity that government would be providing significant grants to cover additional costs and also loss of income the Council was able to review its financial projections for the remainder of the year and ultimately was able to deliver a balanced budget. This was a result of receiving an additional £5.6m

of government funding meaning only £43k of reserves were utilised. The government funding for additional costs and income was obviously critical in allowing the Council to deliver the 2020/21 position however the Council also had to ensure it had appropriate arrangements in place to deliver revised operational strategies including the administration of grants to local businesses.

The Council set its 2021/22 budget at a time when it was expecting a 2020/21 deficit position of approximately £800k but with planned savings and other assumptions planned to utilise £730k of reserves (£308k of this being the business rates equalisation reserve used to finance the deficit on the collection fund). We note 2021/22 budget monitoring indicates a deficit due to the continued impact of Covid-19 with a projection a further £1m of reserves will need to be utilised for 2021/22.

Whilst this is unplanned and we note the financial environment is challenging the Council still has sufficient reserves to be able to fund such deficits in the short and medium term. The Council also has reasonable investments and low level of debt that with repayments not expensive to services (£1.6m for 2020/21).

How the body plans to bridge its funding gaps and identifies achievable savings

The Council has a track record of delivery saving plans. Before Covid-19, a saving requirement of £1.8m was identified over the life of the MTFS. Of this, £1.4m was already identified leaving a realistic £400k to be identified via the star chamber process. The Council has not revised its MTFS formally but subsequent financial reporting do include revised forecasts for the medium term. The savings required whilst tweaked remain at similar level to the pre COVID-19 targets.

In July 2020 the Council also reported on its 10 year Asset Management Plan up to 2030. The review was completed before Covid-19 meaning it doesn't reflect the impact on both operational and investment assets arising from the pandemic.

Financial sustainability

The Council has £120m of operational and investment properties and to date the value of these assets have held up despite uncertainties arising from the pandemic. The Council's investment property portfolio delivered net income of £3m in 2020/21, which was £477k under budget due to Covid-19. Like many others in the sector, the Council will need to consider whether its existing strategies take into account changes in risk and the differing ways of working and providing services that could become permanent due to Covid-19 e.g. the need for office space given a potential continuation of hybrid/home working.

The Council does not have a large capital programme unlike other Districts in Surrey and over the MTFS has a programme of £2.7m that will largely be funded by grants. There are therefore minimal risks in terms of delivery or funding relating to capital.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

We note there is a robust financial planning process in place which ties in with corporate objectives, service plans and workforce plans. There is extensive consultation to ensure the budget meets the needs of the service. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies.

The Medium Term Financial Strategy 2020-24 was produced and agreed by Members, at the same time as the Corporate Plan 2020-24, to ensure the objectives and priorities of the Corporate Plan are reflected in the Medium Term Financial Strategy. Whilst these were produced before Covid-19 the Council has continued to work towards the original objectives of their plans whilst understanding the need to manage the immediate requirements emerging due to the pandemic like setting up Community Hubs and managing grant distribution.

How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans.

The pandemic has created challenges to routine financial management in 2020/21, with the temporary cessation of some services to deal with Covid demands and a changing profile of demands of other services. The Council had to be flexible and agile in terms of how it managed the changes in demand and needed to have sound reporting processes to understand what this meant for financial delivery. As noted already, the financial impact and potential income gaps moved significantly during 2020/21 with initial projections before government grant announcements of up to £8m of reserves being required to an outturn which saw only £43k required. This therefore made the decision making process challenging. The ability to close the gap is primarily down to the support from government during the year but the Council but also needed to demonstrate flexibility and an understanding of its costs and service provision to manage the position.

CONCLUSION

We found no evidence or indication of significant risks to your financial sustainability as such no further risk-based work has been undertaken in this area.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account. It works from Council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all fundamental elements of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the truth.

The Council has a Leadership Team Risk Register which is regularly reviewed by the Leadership Team and added to/updated and scored. The fact the Risk Register is limited to the top ten Council risks allows for the Leadership team and the Audit, Crime and Disorder and Scrutiny Committee (the Committee with delegated responsibility for risk) to be able to adequately discuss, challenge the identification of risks and the plans to mitigate these.

As part of our audit we reviewed the version of the Leadership Team Risk Register presented to the November 2020 Audit, Crime and Disorder and Scrutiny Committee alongside the annual risk report. The Risk Register's format is similar to that used across the sector with a 5x5 risk scoring matrix. It contains key controls/mitigations and a RAG rating for each risk. Each risk is allocated a Senior Officer and linked to Council's Year Plan (Corporate objectives). The Council has also avoided the common pitfall of having current risk scores equal to or above the gross score with scores decreasing to indicate the impact of existing mitigating actions.

Additionally, it is evident that the risks are changing from the prior year list of risks, for example there is a specific Covid-19 financial risk. So the Risk Register has not simply been rolled forward from the prior year as is often the case at a Committee level.

The fact the Risk Register is relatively simple makes it easier to be used in a Committee setting however there are further refinements that should be considered to further enhance its effectiveness. For example, the Risk Register should have a target score to provide an indication of what level of risk is tolerable and show how far the existing arrangements are from achieving this. Furthermore, the Risk Register would benefit from identifying future actions to support the management/mitigation of each risk. All actions identified would need to be SMART (specific, measurable, achievable, realistic, and timely).

We note the Council has a Risk Management Strategy covering 2017 to 2021 that was approved in November 2016. The Council is in the process of reviewing arrangements and we note an updated Strategy will be presented to the Audit, Crime and Disorder and Scrutiny Committee in June 2022.

Internal Audit services are provided by Southern Internal Audit Partnership (SIAP). Although the agreed plan was not approved until November 2020 (due to the previous Committee meeting being cancelled) an adjusted plan was agreed via the Leadership team in July 2020. Understandably there were delays to the delivery of the revised plan but by June 2021 16 reviews were complete and a 'reasonable' Head of Internal Audit Opinion was provided. As part of our review we have not identified any issues with the scope of the Internal Audit function, how it is managed by management and via the Committee Structure or the delivery of the service.

How the body approaches and carries out its annual budget setting process

The financial landscape due to Covid-19 made 2020/21 a unique year for financial planning. While future funding is unclear, a pre-Covid 19 medium-term financial plan had been produced based on prudent assumptions about future income streams.

We've previously concluded the Council has effective arrangements in place, using analysis and scenario planning to understand its financial position and identify saving and

Governance

investment options. Despite the pandemic there is no evidence the arrangements in place have been compromised. Budgets are discussed with budget holders, senior leadership and other stakeholders prior to approval at Committee level. It is also evident from a review of the 2021/22 budget that the impact of Covid-19 on budgets was factored in revised saving plans from January 2021.

How the body ensures effective processes and systems are in place to ensure budgetary control

There are appropriate systems and processes in place for oversight of the budget. In the first instance, budget holders receive a monthly budget monitoring report. All variances over £20k must be raised and addressed with the finance team but given the size of the Council and relative stability on annual activity this type of variance is unusual at a budget holder level.

Budget monitoring reports are presented to Audit, Crime and Disorder and Scrutiny Committee. The reports are clear, concise, action focused and include an appropriate level of detail for a scrutiny type committee with delivery against service budget and key explanations for main variances presented.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

There is no evidence to suggest the Council's decision-making processes are not open or transparent. All major policy decisions are taken to Policy Committees in accordance with the Council's Constitution. The Committee Report Template ensures all relevant considerations must be included. Committee members are provided opportunity to challenge and ask questions at Committee meetings, before voting on the decision. For example, the savings targets are circulated in option form for discussion and decisions. This includes expected impacts. The report template for Committee decisions requires consideration of all stakeholders, including engagement as appropriate.

Covid-19 did impact on many organisation's ability to make decisions in line with existing delegations (e.g. decisions often having to be made outside of Committee cycles) however we have not identified any indication that existing arrangements were overridden at the expense of appropriate scrutiny and challenge.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Various internal and external mechanisms are used to ensure the Council meets the necessary standards and legislative requirements. The Council's Constitution sets out the framework for monitoring compliance with legislation. The Council has a Monitoring officer who is responsible for reporting on the lawfulness of the Council's activities. A Code of Conduct is in place that stipulates the expected behaviours of the staff including openness, transparency, personal ownership and engagement. These are consistent with the public sector Nolan principles.

The Constitution contains a policy for officers and members regarding gifts and hospitality and the responsibility to ensure interests are appropriately declared. These declarations are captured through an annual process and are also evidenced at the start of each Committee meeting. It is also possible to search the Council website for declarations made at meetings by meeting type, date and Councillor.

CONCLUSION

We found no evidence or indication of significant risks to your governance arrangements as such no further risk-based work has been undertaken in this area.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

How financial and performance information has been used to assess performance to identify areas for improvement

The Council has a four year Corporate Plan running from 2020-24 which sets out the strategies, priorities and services for the period. The purpose of the plan is to provide 'a framework for decision making, which ensures that available resources are allocated to meet the needs of our communities. Having a clear vision for the future, aligned with strategic priorities and activities also provides a framework for managing the effectiveness of the organisation as a whole, as well as for managing individual services.'

As the plan covers four years, the context and actions change over time and as such the plan is reviewed annually to ensure it remains appropriate. As part of the annual cycle the Council reports on the delivery of the key targets identified in the Four Year Plan as part of its performance framework.

As a framework the Council's approach to performance reporting is similar to others in the sector. The Audit, Crime and Disorder and Scrutiny Committee receives the annual plan for approval at the start of the year, receives updates during the year on progress and a final report after the year end confirming outturn delivery. As we explain on page 11, Covid-19 has impacted on both the cycle of reporting (with cancelled meetings) and with the actual achievement of performance. This was to be expected and the Council has still continued to collate its performance data and explain clearly where Covid-19 is specifically impacting on data during the year.

The year end report includes a summary and a one page Appendix with every KPI under the Council's strategic priorities. Each KPI is coloured in the year end RAG rating for an easy visual presentation of performance. The main summary report sets out overall performance and provides detail for those KPIs

not achieved. The in year reporting is in a similar format and the summary report RAG rates the likelihood of achieving the year end target. Whilst the reports are clear and concise and the one page Appendix showing RAG rated performance by strategic priority is good practice the Council should consider whether it could further enhance some of the reporting. For example, there is little information on trajectory (e.g. showing past annual or quarterly performance by indicator). Equally other Council's incorporate various visual content like graphs and charts in their performance reporting. As the information is being presented to the Audit, Crime and Disorder and Scrutiny Committee, the Council should also consider whether its reporting includes information on the accuracy of each KPI. This should include how the indicator is compiled e.g. from an electronic system/manual and whether it has subject to any verification, audit or any other type of validation either internal or external].

Whilst there has not been a specific Internal Audit on performance data in recent years there are various reviews completed as part of the annual plan that will consider the quality and accuracy of performance information. These reviews will occasionally result in limited assurance ratings but in general the majority of reviews end up with substantive or reasonable assurance conclusions. The annual Audit Plan also includes one or more financial management reviews that will assess financial information – for 2020/21 these reviews covered accounts payable, payroll and housing benefits.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council liaises regularly with other Surrey Districts and has a good knowledge of what others are doing and where good practice is in place. The Council regularly takes advantage of LGA peer reviews – the most recent one on finances being reported in March 2021. However the evidence of formal

Improving economy, efficiency and effectiveness

benchmarking to support performance improvement is limited. The Council is aware of the various sources of benchmarking data like the LGA Research Report however it is not clear how this information has been used in the Council's own development of performance indicators. It is important that benchmarking is only used when credible data sets are available especially as in recent years Councils have diverged from standard models of delivery. The Council should therefore explore what types of benchmarking it might undertake. Firstly, it could compare its performance reporting (in terms of number and types of KPIs against other Surrey Districts to determine whether others are capturing and reporting useful information the Council is not. Secondly, the Council could actually compare the performance of existing KPIs against other Councils (starting in Surrey initially to determine whether the exercise is useful).

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

The nature of the services provided by the Council means it is required to work closely with a range of partners. Of the 21 priorities that are tracked annually via the Operating Plan, seven relate specifically to different partnership working. The engagement with key partners has obviously increased due to Covid-19. The number of partners with whom the Council works also increased as a result of the pandemic, with more third sector and voluntary organisations working in partnership with the Council.

The Council has expressed an interest in working with more closely with other local Councils and there could be options to either join existing shared services or develop new ones. The Strategy and Resources Committee authorised the Chief Executive in March 2021 to focus potential collaboration in the following areas: waste, building control, IT infrastructure, housing, revenues and benefits, procurement, economic development and leisure services. The Council is tracking the progress of potential new partnerships via its existing Finance Peer Review action plan and as such we have not raised a new recommendation in this report. Should any partnership be identified the Council will need to ensure there is a robust business case that is approved within the governance structure.

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Council has a detailed Procurement Strategy covering the period 2017-21. The Strategy details the Council's approach to procurement and sets out the stages by which the Council procures goods or services. The Strategy sets out 12 objectives which 'are the areas for action developed from this strategy' and cover areas such as 'becoming a compliant organisation', 'improving Management Information to enable forward planning and decision making' and meeting the requirements of the Public Services (Social Value) Act. The Strategy will shortly be out of date and we note the Council intends to bring a new version to the Strategy and Resources Committee in early 2022. The previous version set out objectives but did not consistently articulate what actions would be taken, by when and how they would be monitored. Additionally, there hasn't been any regular reporting on the delivery of the strategy to the Strategy and Resources Committee so its difficult to evidence whether the policy achieved its intended objectives.

The Council has a Contract Manager in post to support and monitor major contracts, and budget managers have delegated responsibility for managing contracts. We found no evidence that appropriate procurement processes were not followed during 2020/21.

CONCLUSION

We found no evidence or indication of significant risks to your economy, effectiveness and efficiency arrangements as such no further risk-based work has been undertaken in this area.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

Covid-19 has had a significant impact on the services Councils have been required to provide. Epsom and Ewell has needed to step in to support vulnerable residents with food, prescriptions and other needs, has been required to put in place measures to make public spaces secure and also support local businesses by administering government funded grants. At the same time the Council has to transition to remote working and deal with resourcing issues when staff were either unwell with Covid-19 or required to isolate.

The impact on finances to date has ultimately been limited due to government support but as we reported earlier in this report there were periods of uncertainty when it was unclear what support would be received with worse case scenario assessments that £8m of reserves would be required. Ultimately, the Council was able to deliver a budget that required minimal use of reserves in 2021/22 but as government support has reduced whilst the country has re-opened the Council has continued to find the financial landscape challenging because income streams are still impacted.

There is likely to be significant pressure on public funds in future years given the levels of borrowing undertaken by Government to fund Covid-19 support measures. The Council has reworked future budgets but will need to wait for clarity on what support will be forthcoming in the medium term. Fortunately the Council is in a strong financial position with reasonable levels of reserves for its size but these cannot be utilised indefinitely and saving targets, service provision and commercial strategies will need to be revisited.

Governance

Governance arrangements were amended to meet the challenges of the pandemic. Specific cost centres were set up to allow for accurate recording of Covid related costs.

As soon as these were lawful, the Council started holding members' meetings online. This allowed for Council and key Committees to continue to meet, discuss and continue to be involved in decision

making. Many corporate support staff began to working from home as the Council was required to transition to IT-enabled home working away from the office.

The Council was required to act in response the government's 'Working safely during Coronavirus' guidance issued in May 2020. This created a significant amount of work to ensure buildings and services were subject to health and safety measures to be Covid Secure. To maintain essential services, the Council procured and supplied necessary PPE.

The Internal Audit Plan was updated to reflect the changes, new systems and processes, and to provide additional assurances over revised arrangements. The delivery of the internal audit plan was impacted but has not affected the ability to provide a Head of Internal Audit's year end opinion. The changes to the plan were set out and approved by the Audit, Crime and Disorder and Scrutiny Committee.

Improving economy, efficiency and effectiveness

During the pandemic the Council has continued to measure performance against its four year Corporate Plan 2020-24. Despite the obvious impact of Covid-19 on performance the Council did manage to meet 31 of its 52 performance targets (63%). This compares against 66% and 74% in the previous two years. A number of these indicators were not achieved because the teams responsible were re-deployed or working on other priority area. For example the Revenue and Benefits Team were required to allocate new national funding programmes to businesses.

CONCLUSION

We found no evidence or indication of significant risks to your Covid-19 arrangements as such no further risk-based work has been undertaken in this area.

Improvement recommendations



Financial Sustainability

Recommendation One

Auditor judgement

The Council's current MTFS covers the period 2020-24 and was developed and approved before the Covid-19 pandemic. 2020/21 largely saw temporary arrangements with two lockdowns and significant changes to service provision. Some of the uncertainty has continued into 2021/22 due the lack of clarity on local government funding. The Council has re-forecast its finances up until 2024 with the addition of projections for 2024/25 but has not either revised or replaced the existing MTFS.

Summary recommendation

There is still uncertainty regarding local government funding so its understandable why the Council wouldn't want to take make any significant changes to existing pre-pandemic developed financial plan.

However the Council will need to take a view at some point- potentially after the expected funding settlement expected in December 2021 – on whether it needs to refresh or replace the 2020-24 MFTS. The Council does not want to have several contradictory financial plans in the public domain.

Management comment Officers recently presented refreshed, multi-year forecasts to Strategy & Resources Committee in September. As part of our business-as-usual annual budget planning, updated forecasts will shortly be presented to members again in the new year, following the government's funding settlement announcement expected in December. During 2022/23, the Council plans to review and rebase budgets to reflect post-Covid underlying expenditure and income streams.

Responsible officer: Head of Finance



Financial Sustainability

Recommendation Two

In July 2020 the Council reported on its 10 year Asset Management Plan up to 2030. The review was approved after the Covid-19 pandemic was declared but was drafted before and during the first wave meaning it doesn't reflect the impact on both operational and investment assets. The Council has approximately £120m of operational and investment properties and to date their values to date have held up despite uncertainties arising from the pandemic. There could be implications in terms of the risk profile of investment assets and value for money considerations for operational assets given annual maintenance costs are approximately £1m per annum.

The Council will need to consider whether its existing strategies take into account changes in risk relating to investment properties and the differing ways of working and providing services and whether it therefore is holding the right type of operational assets.

As at 31 March 2021, the Council held £54.7m of investment assets and should ensure it is satisfied the portfolio mix remains appropriate. As at 31 March 2021, the Council held £73.6m of operational assets and should ensure it is satisfied its estate is the appropriate size particularly given the changes in working patterns arising since the pandemic.

The Council is undertaking a number of Strategic Asset Reviews, to ensure key operational assets remain fit for purpose and continue to provide value for money services. Regarding investment properties, the Council continues to proactively manage the portfolio to mitigate risks and optimise usage of these assets. Any material changes to usage or risk profile of an investment asset will continue to be reported to Strategy & Resources Committee, as was most recently reported to S&R in September 2021. The Business Plan for managing investment properties held by Epsom and Ewell Property Investment Company Ltd has been approved by members of the Shareholder Sub-Committee on 23 November 2021.

Responsible officer: Head of Property & Regeneration

Improvement recommendations



Governance

Recommendation Three

Auditor judgement

As part of our audit we reviewed the version of the Leadership Team Risk Register presented to the November 2020 Audit, Crime and Disorder and Scrutiny Committee alongside the annual risk report. The current format of the Risk Register does not include a target score nor does not identify any further actions. It is therefore difficult to determine whether the existing controls are sufficient in managing the risk identified or whether further actions are required.

Summary recommendation

As part of the Council's review of risk management it should consider whether it wants to make the following additions to the format of its Risk Register:

- Include a target score to provide an indication of what level of risk is tolerable and how far the existing arrangements are from achieving this.
- The Risk Register would benefit from identifying future actions to support the management/mitigation of each risk. All actions identified should be SMART (specific, measurable, achievable, realistic, and timely).

Management comment

The existing risk register was deliberately developed to be clear and simple, in order to be embedded rather than standalone and overly administrative. As part of reviewing the arrangements for risk management we will refresh the current risk register and consider how to manage directorate risks.

Responsible officer: Head of Corporate Assurance



Improving economy, efficiency and effectiveness

Recommendation Four

The current annual performance reporting cycle for planning, in year progress and year end outturn is fit for purpose and includes examples of good practice in the one page Appendix with RAG rated achievement shown. However the Council should consider as part of its next review of the process on whether there are further improvements that could be made to the presentation of the information.

The council could consider the following as part of its review of performance reporting:

- Present trajectory of performance for each indicator (e.g. show past annual or quarterly performance).
- Include information on the accuracy of each KPI. This should include how the indicator is compiled e.g. from an electronic system/manual and whether it has subject to any verification, audit or any other type of validation either internal or external). Other organisations use a scoring mechanism or dial to show the quality of the metric (with indicators subject to audit or external scrutiny and obtained via system reports scoring higher).

The corporate performance management framework was suspended during the early stages of the Council's response to the pandemic, in order to focus on health and safety risks. The end of year report for 2020/21 provided an overview and commentary of those indicators that were not achieved. All data is validated through a collection process and supporting documentation, which clearly shows the responsible officer and how data is supplied. A new process and timetable for setting the priorities for 22/23 has been agreed and is in line with the budget setting process. The new Business Assurance Manager will be responsible for collecting and reporting data and will be refreshing this process, as best meets the requirements of the Committee.

Responsible officer: Head of Corporate Assurance

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation Five

Auditor judgement

The current Procurement Strategy covers 2017-21 and we understand a new Strategy is being developed for approval in early 2022.

The previous version of the Strategy set out objectives but did not consistently articulate what actions would be taken, by when and how they would be monitored. There was also no regular reporting on the delivery of the strategy to the Resources and Standards Committee so its difficult to evidence whether the policy achieved its intended objectives.

Summary recommendation

We recommend the new Procurement Strategy including the following:

- SMART (specific, measurable, achievable, realistic, and timely) objectives are clearly set out in the Strategy to allow the Council to assess whether the Strategy is delivering as intended.
- A framework for how the delivery of the Strategy will be achieved. An annual or biennial review against SMART objectives reported to the Resources and Strategy Committee would allow the Council to assess how successful the Strategy is in delivering its objectives.

Management comment

The Procurement Strategy is currently being updated and will be reported to Strategy & Resources Committee in January 2022.

Responsible officer: Head of Corporate Assurance

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements in September 2021.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council in September 2021.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

As in previous years we expect the Council to be below the threshold requiring audit procedures however at the time of issuing this report the Group Instructions have not been issued by the NAO to confirm the approach for 2020/21.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

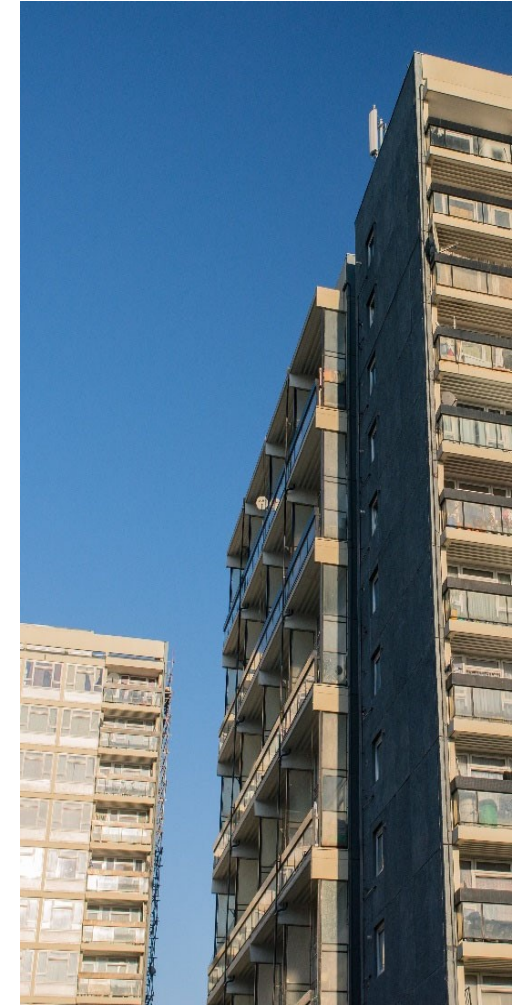
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council auditors as follows:

Type of recommendation	Background	Raised within this report
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Service to discuss and respond publicly to the report.	No
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes, see pages 12 to 14

Appendix C - Use of formal auditor's powers

The following are formal powers that can be used by auditors:

Formal power	Used by auditor in 2020/21
<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	Not required.
<p>Public interest report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	Not required.
<p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	Not required.
<p>Advisory notice</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful. 	Not required.
<p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	Not required.

