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# **Southern Internal Audit Partnership**

Assurance through excellence  
and innovation

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## **EPSOM AND EWELL BOROUGH COUNCIL**

### **Annual Internal Audit Conclusion 2024-2025**

**Prepared by:     Natalie Jerams, Deputy Head of Partnership**

**June 2025**

## 1. Internal Audit Standards

With effect from 1 April 2025, the 'Standards' against which internal audit within the public sector must conform are those laid down in the Global Internal Audit Standards, Application Note: Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements are referred to as the Global Internal Audit Standards in the UK Public Sector.

The Southern Internal Audit Partnership have made all necessary adaptations to its processes, procedures and practices to ensure it is best placed to conform with these requirements with effect from 1 April 2025.

Prior to 1 April 2025 conformance was required with the Public Sector Internal Audit Standards (PSIAS). Consequently, in fulfilling the audit mandate and delivery of internal audit service for the purposes of the 2024-25 annual conclusion the PSIAS remain the relevant Standards.

## 2. Internal Audit Mandate

The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

*'5. (1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

*(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—*

*(a) make available such documents and records; and*

*(b) supply such information and explanations*

*as are considered necessary by those conducting the internal audit.'*

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

*'An independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.'*

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations' objectives.

### **3. Internal Audit Approach**

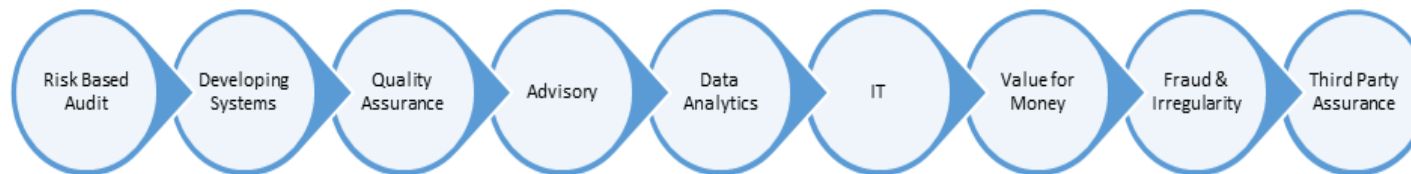
To enable effective outcomes, internal audit provides a combination of assurance and advisory activities. Assurance work involves objective assessment of how well systems and processes are designed and working, with advisory activities available to help to improve those systems and processes where necessary whilst not assuming any management responsibilities.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

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

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

A full range of internal audit services is available in forming the annual audit conclusion:



The Southern Internal Audit Partnership maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our partners, with the necessity to provide comprehensive, compliant and value adding assurance.

We have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork, however, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

#### 4. Internal Audit Coverage

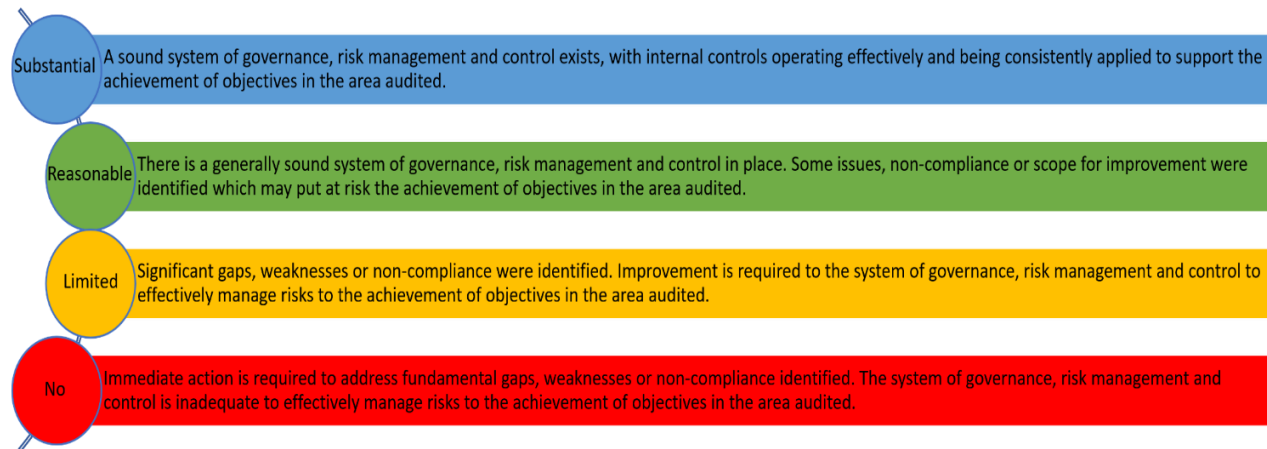
The internal audit plan is prepared taking account of the characteristics and relative risks and objectives of the Council and to support the preparation of the Annual Governance Statement. Work has been planned and performed to establish if sufficient evidence is available to provide reasonable assurance that the framework of governance, risk management and internal control is operating effectively.

The 2024-25 internal audit plan was considered by the Audit & Scrutiny Committee in March 2024. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to organisational objectives / priorities and the key risks facing the organisation.

The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of governance, risk management, and control designed to support the risks to the achievement of management objectives of the service area under review.

The assurance opinions are categorised as follows:



## 5. Resources

The Southern Internal Audit Partnership has a strategy in place to optimise internal audit resource. Ongoing sufficiency of resources (financial, human and technological) are transparently communicated to senior management and the Audit & Scrutiny Committee through regular reporting as part of the approval of the internal audit plan and further throughout the year as part of the progress reports and ultimately within the annual conclusion.

Any resource implications that put the fulfilment of the internal audit plan and internal audit mandate at risk are reported accordingly through the afore mentioned reports.

There have been no resource implications that have adversely affected the fulfilment of the internal audit mandate or delivery of the Council's internal audit plan impacting my ability to provide a conclusion on the organisation's framework of governance, risk, and internal control.

## **6. Independence**

As your chief internal auditor, I retain no roles or responsibilities that have the potential to impair my independence, either in fact or appearance. Internal auditors engaged in the delivery of the 2024-25 internal audit plan have had no direct operational responsibility or authority over any of the activities reviewed.

I can confirm there has been no interference encountered by the Southern Internal Audit Partnership related to the scope, performance, or communication of internal audit work during the year in the delivery of the internal audit plan or the fulfilment of the internal audit mandate.

## **7. Impairments**

There have been no impairments to internal audit activity during the year. As chief internal auditor I have ensured that the internal audit function has remained free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication.

The internal audit team have maintained an unbiased mental attitude allowing them to perform engagements objectively enabling them to believe in their work product, with no compromise to quality, and no subordination to their judgment on audit matters, either in fact or appearance.

## **8. Limitations of Scope**

There have been no limitations to the scope of internal audit work during the course of the year.

## 9. Internal Audit Conclusion

As chief internal auditor, I am responsible for the delivery of an audit conclusion that can be used by the Council to inform their Annual Governance Statement. The annual audit conclusion culminates in an overall opinion on the adequacy and effectiveness of the organisations' framework of governance, risk management and control.

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

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

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by the Audit & Scrutiny Committee and senior management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk, and control over the 2024-25 financial year.

### Annual Internal Audit Conclusion 2024-25

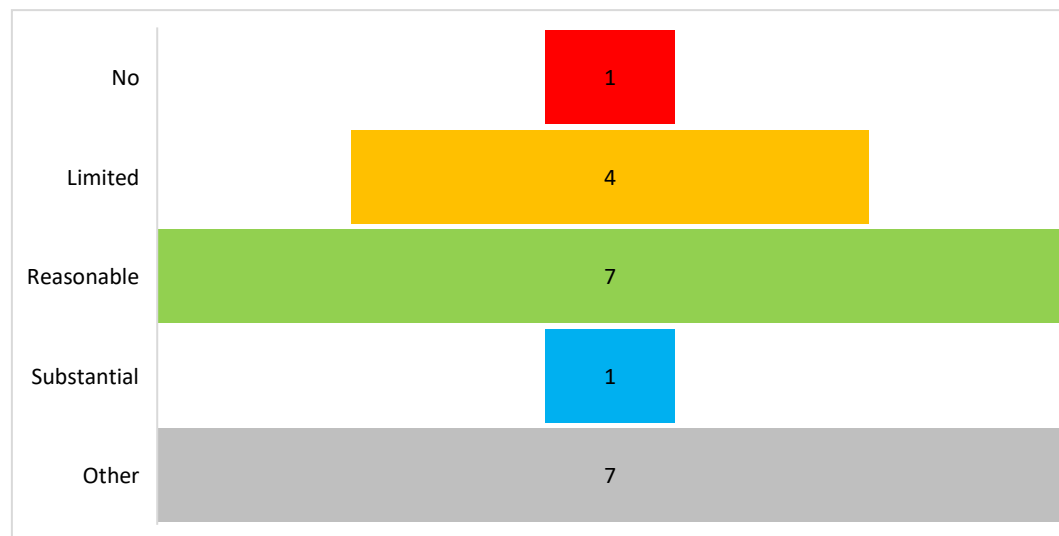
I am satisfied that sufficient assurance and advisory work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment. In my opinion the framework of governance, risk management and control are **'reasonable'** and audit testing has demonstrated controls to be working in practice.

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

## 10. Governance, Risk Management & Control – Overview, Key Observations & Themes

### Audit work completed in 2024-25

The work undertaken throughout the year is summarised in the chart below, with the risk-based assurance work categorised by assurance opinion. Significant findings from our reviews have been reported to senior management and the Audit & Scrutiny Committee throughout the year.



## ***Governance***

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes overview of:

- the governance structure in place, including respective roles, responsibilities, and reporting arrangements.
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved, and appropriately publicised and accessible to officers and staff.

During 2024-25 we undertook a review of the Financial Governance Framework which concluded with a substantial assurance opinion demonstrating a sound framework of governance, risk and control; a review of Decision Making and Accountability which concluded with a reasonable assurance opinion; as well as a review of Information Governance that concluded with a limited assurance opinion.

The Council does not have a formally defined Data Protection Officer (DPO) role. The use of an officer from a neighbouring authority is in place, however there is no documentation which sets out the terms of this arrangement or what the DPO should deliver on behalf of the Council. Whilst a Data Protection Policy is in place and is accessible to all staff, this is in draft and has not been approved.

Although there is a policy in place covering Freedom of Information (FOI) requests, Subject Access Requests (SARs) and Environmental Information Regulations (EIRs), this does not contain evidence of authorisation or approval by senior leadership or a date of review.

Responsibilities for processing SARs, FOIs and EIRs are not formally assigned. Whilst testing of a sample of FOIs and SARs found all were handled appropriately and in good time, subject to the circumstances of the case, a sample of EIRs found that not all were completed on time as a result of delays in service areas responding to the request.

Whilst the Council has constituted an Information Governance Working Group to provide steer and oversight on Data Protection, its Terms of Reference are yet to be approved and certain elements such as a list of participating members and meeting frequency are not stated.

No Data Protection Impact Assessments have been completed ahead of the upcoming migration to Office 365 and change of Council offices.

Whilst an Information Asset Register is in place, spanning 13 service areas, there is no schedule for review at present. All were last updated in 2022.

Whilst a register exists to list the Data Sharing Protocols with external organisations, this is currently incomplete and is not held centrally.

A Freedom of Information Act publication scheme is available on the Council website, however, the webpage is under construction and not all data is available, with various pages yet to be hyperlinked.

Despite these observations, based on the work completed during the year and through our attendance at a variety of management and governance meetings, in our opinion the governance frameworks in place across the Council are robust, fit for purpose and subject to regular review. There is also appropriate reporting to the Audit & Scrutiny Committee to provide the opportunity for independent consideration and challenge including the review of the Annual Governance Statement.

In addition, we also completed two advisory reviews across the year relating to the changes proposed to the IT Strategy and the governance arrangements for the Relocation of the Town Hall project.

### ***Risk management***

In accordance with the constitution, the Audit & Scrutiny Committee play a key role to 'scrutinise the application of the Risk Management Strategy and oversee the corporate risk register'. This has been supported through the Committee's overview of the Corporate Performance Report that incorporates both corporate and committee risk registers as a regular agenda item throughout the year.

A review of the risk management arrangements for the Council was last carried out in 2023/24 which resulted in a reasonable assurance opinion. Whilst some areas of improvement were identified regarding the recording within the risk register, including mitigation plans, the review demonstrated that risk management arrangements were generally sound, documented and embedded within the Council.

The risk register is a key document that is taken into account during the development of our risk based internal audit plan. The information in the risk register is taken into account when scoping each review in detail to ensure that our work is appropriately focussed.

### **Control**

Internal audit work found there were areas where a sound control environment is in place that were working effectively to support the delivery of corporate objectives. However, there are areas of challenge to the Council's control environment. We generally found officers and staff to be aware of the importance of effective control frameworks, and open to our suggestion for improvements or enhancements where needed.

The key areas of challenge identified through our work are outlined below:

#### **Environmental Health Food Hygiene – No Assurance**

As background to this audit, the Council was already aware of its difficulty in fulfilling its requirement to perform inspections of all food establishments in the Borough. There had been an action plan imposed through the Food Standards Authority (FSA) in 2020 (in respect of underperformance in 2018/19) and severe disruption through COVID-19 exacerbated this further.

The current 2024/25 Food Safety Service Plan has not yet been presented to, or approved by, the Environment Committee and an Action Plan (as requested by the FSA in June 2024) is yet to be drafted and submitted. The FSA's original deadline was not met. However, we have since been advised that an extension was granted from the FSA.

The Council is not fulfilling its statutory duty to deliver inspections in accordance with the Food Law Code of Practice. At the time of the audit, of 596 businesses across the Borough, 171 (28%) were overdue inspections and 122 had not been inspected at all. This does not include "re-inspections" that may be due.

Re-inspections of premises are not logged in the system. These do not appear amongst the due and overdue inspections, and it is unclear whether these are scheduled at all. We therefore cannot give assurance over the degree to which re-inspections are being completed, and it cannot be ascertained from the current system how many are due or overdue.

There is no formal or documented agreement in place with the contractor who is currently conducting all Category A, B and C inspections on behalf of the Council.

During the time of the audit the Lead Officer for Food vacated the post. Whilst we were advised that the Public Protection Manager would cover the managerial aspects of the role, no arrangement has been put in place to cover the full role and to recruit to this post. There is also no central log of competent officers (as per FSA definition) or their CPD records to ensure that only suitably qualified staff are performing inspections and at their competence level.

The corresponding documentation was found to be in place in Uniform and IDOX for all in our sample of category A, B, C and E inspections tested. However, two out of five category D inspections didn't have accompanying records. This has since been rectified however highlights the absence of a management spot-check that documentation is being retained satisfactorily.

We were advised that, prior to 2023-24, there had been delays in submission of the data to the FSA, positively however, we reviewed submissions from March 2023 to March 2024 and found that data is being submitted when due, currently 6-monthly to the FSA (previously quarterly) as requested and the FSA have acknowledged receipt of this.

### **Main Accounting – Limited Assurance**

The purpose of this audit was to review the key controls of the accounting system processes. The Council currently use 'Civica Financials' as their main accounting system.

Whilst a number of areas were assessed to be working well, including the processing and approval of journals, virements, management of interfaces and appropriate system access, there were also some areas of improvement identified that resulted in the overall limited assurance opinion.

We were unable to confirm that regular bank reconciliations had been fully completed throughout 2023/24. Our testing of a sample of five end of week reconciliations during 2023/24 were all signed as being complete and authorised on the same date of the year (30th May 2024).

Income that cannot be automatically coded by the system is posted to an income suspense account; this is reviewed daily by the exchequer team and investigated until the correct coding can be found for the income. We reviewed outstanding transactions within the suspense account, and found that as at 6 March 2024, 56 entries remain from 2023. We were advised that an error had occurred with a manual upload to the main accounting system in June 2023, this had caused a number of duplicated entries to be posted to the system and 41 of the 56 suspense account entries are in relation to this error. At the time of our review, we were advised that this issue had not yet been investigated and resolved.

Our review of procedural documents and user guides available to support staff found that they were out of date and showed no evidence of regular review in place which has led to some information within the documentations to be incorrect.

Please also see the separate restricted report (Appendix 2).

### **Other Sources of Assurance**

During the year internal audit have remained cognisant of other sources of assurance from which the Council benefit. Due to legal and regularity nature of some public sector assurance providers internal audit do not routinely have the opportunity to engage with or attain insight into the scope and timing of their work.

However, where appropriate internal audit does coordinate with and place reliance on the outcomes of other assurance providers to minimise duplication and highlight potential gaps in assurance needs. Additionally, as chief internal auditor I liaise with the external auditors on matters of mutual interest and to seek opportunities for cooperation in the conduct of audit work.

A recent Local Government Association Corporate Peer Challenge (CPC) was reported in March 2024. CPC forms a key part of the improvement and assurance framework for local government. The review considered the following five themes:

- Local priorities and outcomes
- Organisational and place leadership
- Governance and culture
- Financial planning and management
- Capacity for improvement.

We do not seek to duplicate the work already taking place in these areas but will review the outcomes and consider future areas for inclusion in the internal audit plan.

### **Management actions**

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

Progress is periodically reported during the year to the Audit & Scrutiny Committee through our quarterly internal audit progress reports. Throughout 2024/25 it was concerning to note that a number of the management actions have not been completed by their original target date and many have been reported with several revised target dates.

### **Follow Up**

As part of the Internal Audit Plan for 2024/25, we have undertaken follow up reviews to assess the progress made with implementing the management actions arising from previously reported limited assurance opinion reports. These related to Affordable Housing, Community Infrastructure Levy (CIL) and Community Health and Wellbeing.

For any actions that remain in progress, these will continue to be reported within the Internal Audit Progress Reports and monitored through to completion.

Please also see the separate restricted report (Appendix 2).

### **Acceptance of Risk**

From the work carried out by the Southern Internal Audit Partnership during the year, I am not aware of any instances where management have accepted a level of risk that we feel exceeds the organisation's risk appetite or risk tolerance.

## Themes

The findings and conclusions of multiple engagements, when viewed holistically, can reveal patterns or trends, such as root causes. Analysis of assurance and advisory work undertaken across the organisation's framework of governance, risk management and control processes has highlighted the following:

- Areas across the Council where operational processes have not been documented, or policies and procedures are out of date. In an uncertain climate where staff retention is increasingly challenging, this poses an increased risk of losing operational knowledge and resilience issues.
- Please also see the separate restricted report (Appendix 2).

## 11. Anti-Fraud and anti-corruption

In accordance with the internal audit charter and the audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

Whilst not responsible for the detection of fraud within the Council, Southern Internal Audit Partnerships work during 2024/25 has not identified, and we have not been made aware of, any significant control deficiencies that may pose a significant fraud risk.

## 12. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against industry Standards for conformance.

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

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. In considering all sources of evidence the external assessment team concluded:

*'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'*

Despite the change in the Standards any external quality assessment undertaken under the Public Sector Internal Audit Standards remains valid for the duration of the successive five years (from the date it was undertaken). The Southern Internal Audit Partnership will be commissioning an external quality assessment against the Global Internal Audit Standards in the UK Public Sector during 2025.

## 13. Disclosure of Non-Conformance

There are no disclosures of Non-Conformance to report. In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

*'the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards'.*

## 14. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2024-25 through the following internal processes:

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

## 15. Internal Audit Performance

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

Performance Measure	Target	Actual (2024-25)
Percentage of internal audit plan delivered (to draft report)	95%	88%
Positive customer survey response:		
SIAP – all Partners	90%	98%
Epsom & Ewell Borough Council	90%	100%
Conformance with the Public Sector Internal Audit Standards	Conforms	Conforms

*Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2025).*

## **16. Acknowledgement**

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

Natalie Jerams  
Deputy Head of Southern Internal Audit Partnership

## Annex A

## Summary of Assurance Reviews Completed 2024-25

**Substantial** A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

- Financial Governance Framework

**Reasonable** There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

- Capital Programme
- Housing Allocations Policy
- Planning Enforcement (*draft*)
- Accounts Payable
- Safeguarding
- Treasury Management
- Decision Making & Accountability (*draft*)

**Limited** Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

- Main Accounting
- Information Governance
- *Please also see separate restricted report*

**No** Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

- Environmental Health – Food Hygiene

*\* Two reviews (Playgrounds and EEPIC Governance Arrangements) have been drafted; however, we are awaiting factual accuracy prior to reporting and three reviews (Payroll, Asset Management and HR Use of Volunteers) remain work in progress. All will be reported as part of the next progress report to the Audit & Scrutiny Committee. The status of these reviews has not inhibited my ability to provide an overall opinion on the Council's framework of governance, risk and control.*

*\*\* Assurance was further supported by two advisory reviews (IT Strategy and Relocation of Town Hall), four follow up reviews and a review of the Epsom and Walton Downs Conservators (EWDC) Account.*