

The Indicative Audit Plan for Epsom and Ewell Borough Council

Year ending 31 March 2026

March 2026



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Introduction and 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') and Group for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued the 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 out in the agreed 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 these documents.

The Indicative Audit Plan

This Plan is an Indicative Audit plan as some planning procedures are yet to be completed at time of writing. We are awaiting the following from management:

- planning inquiries response from management and those charged with governance; and
- information regarding opening balances, analytical review, journals business process and cyber security.

We will communicate the Indicative Audit Plan to those Charged with Governance at the Audit and Scrutiny Committee on the 19th of March 2026.

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 Council's and Group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Scrutiny Committee); and we consider whether there are sufficient arrangements in place at the Council and Group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit and Scrutiny 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 and Group and is risk based.

Introduction and headlines (continued)

Significant risks

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

- Management override of control
- Valuation of Property Assets, including Investment property
- Valuation of Defined Benefit Pension 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 Group planning materiality to be £1.3m, which equates to 2.5% of prior year gross operating costs. Following this, for the Council, we have determined planning materiality to be £1.235m (PY £1.235m), using the same benchmark as the Group, and is capped at 95% of Group materiality. For Epsom and Ewell Property Investment Company, we have determined planning materiality to be £715k.

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 £65k (PY £65k) for the Group and Council.

Group Audit

The Council is required to prepare Group financial statements that consolidate the financial information of Epsom and Ewell Property Investment Company (EPIPIC) which is 100% owned by the Council. The company was primarily established to invest in high-quality commercial properties located outside of the Borough, with the goal of generating rental yields for the Council.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any significant weakness areas or related risks, requiring separate attention. We will continue to monitor and update our risk assessment and responses until we issue our Auditor's Annual Report.

Audit logistics

Our audit planning visit took place in February 2026 though we are currently awaiting response to the items set out on page 3.

We are introducing this year an interim visit during March to undertake some early testing. We set out on page 17 further details of the areas in discussion with management. Our audit fieldwork and completion stages are scheduled to take pace between July and November 2026.

Our key deliverables are this indicative Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £175k (2024/25 £183k) for the Council, subject to the Council delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.

Risk relates to

Council

Audit team's assessment

We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.

Planned audit procedures

We will:

- review accounting estimates, judgements and decisions made by management
- test journal entries
- review unusual significant transactions.



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of Property assets including – Other Land and Buildings- £73 million and Investment Properties- Group- £113 million Council- £63 million</p> <p>One of the changes introduced to the 2025/26 Code is around a revaluation expedient for property, plant and equipment requiring valuations once every five years or on a five-year rolling basis and supported by indexation in intervening years. Alternatively, a desktop valuation in year three in rare cases where no index is available. The Council as required by the Code has all Investment properties revalued on an annual basis. The valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key Assumptions</p> <p>Risk relates to Council and Group</p>	<p>The valuation of land and buildings and Investment Properties represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions.</p> <p>We have therefore identified it as a significant risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> • document our understanding management's process and controls for the calculation of the estimate • evaluate the competence, capabilities and objectivity of management's expert • evaluate the consistency of the disclosure with the valuation report • evaluate the basis on which the valuations have been carried out • evaluate the information and assumptions used by the valuer • evaluate the accounting entries for the valuation • evaluate the reasonableness of the assumptions used to form the estimate

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of the pension fund net liability - assumptions applied by the professional actuary in their calculation</p> <p>Risk relates to</p> <p>Council</p>	<p>The valuation of the pension fund net liability represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> • document our understanding management's process and controls • evaluate the competence, capabilities and objectivity of management's expert • evaluate the consistency of the disclosure with the actuarial report • evaluate the reasonableness of the assumptions used to form the estimate • obtain assurances from the pension fund auditor on the underlying data shared by the fund to the actuary which has been used in the calculation of this estimate • where IFRIC 14 is applicable we will review the IFRIC 14 assessment carried out by the actuary and evaluate the reasonableness of the assumptions used as part of the assessment.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<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</p> <p>Risk relates to</p> <p>Council and Group</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have considered all revenue streams of the Council, and we have rebutted this risk for all revenue streams.</p> <p>For revenue streams that are derived from Council Tax, Interest and Investment Income, Business Rates and Grants we have rebutted this risk on the basis that they are income streams primarily derived from grants or formula-based income from central government and taxpayers and that opportunities to manipulate the recognition of these income streams is very limited.</p> <p>For other revenue streams, we have identified from our experiences as your auditor and through our understanding of your business processed around revenue recognition that the risk of fraud arising from revenue recognition could 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>We do not consider this to be a significant risk for the Group and Council.</p>	<p>We do not consider this to be a significant risk and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate. We will:</p> <ul style="list-style-type: none"> • Evaluate the Council's accounting policy for recognition of income for appropriateness and compliance with the Code; • Update our understanding of the system for accounting for the income and evaluate the design of associated processes and controls; • Agree on a sample basis relevant income and year-end receivable/income accruals to invoices, loans and lease agreements and cash payment or other supporting evidence; and • Carry out testing on a sample basis of invoices issued and cash received in the period prior to and following 31 March 2026 to determine whether income is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The expenditure cycle includes fraudulent transactions</p> <p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p> <p>Risk relates to Council and Group</p>	<p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p> <p>We have completed a risk assessment of all expenditure streams for the Group, covering Employee Benefit Expenditure, Housing Benefit Expenditure and Other Service Expenditure. We have considered each material expenditure area, and the control environment. We have concluded that there is no significant risk as:</p> <ul style="list-style-type: none"> • The control environment around expenditure recognition (understood through our documented risk assessment and understanding of your business processes) is considered to be strong; and • We have not found significant issues, errors or fraud in expenditure recognition in the prior year audits. 	<p>We do not consider this to be a significant risk and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate. We will:</p> <ul style="list-style-type: none"> • Evaluate the Council's accounting policy for recognition of expenditure for appropriateness and compliance with the Code; • Update our understanding of the system for accounting for the expenditure and evaluate the design of associated processes and controls; • Agree on a sample basis relevant expenditure and year end payables and accruals to invoices or other supporting evidence; and • Carry out testing on a sample basis of invoices received and cash paid in the period prior to and following 31 March 2026 to determine whether expenditure is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties.



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

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 read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- 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 legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)

- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act.
- 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.

Our approach to 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.

Description

Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

An item may be considered to be material by nature when it relates to instances where greater precision is required.

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.

Our approach to materiality

We determined materiality at the planning stage as £1.3m for the Group and £1.24m for the Council. The headline materiality is based on 2.5% of prior year gross expenditure for the Group and Council respectively. At year-end, we have reconsidered planning materiality based on the draft financial statements. Based on the updated figures, materiality for the Group and all components has not changed significantly. Accordingly, we have decided to retain the planning materiality previously set.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £1.3m for Group and £1.24m for Council based on professional judgement in the context of our knowledge of the Group and Authority.
- We have used 2.5% of gross expenditure as the basis for determining materiality.

Performance materiality

- We have determined performance materiality at £0.98m for the Group and £0.93m for the council. This is based on 75% of headline materiality.

Component Performance materiality

- Where audit work on components is being performed using component performance materiality, this has been set at £0.54m with the component materiality used reflecting the relative risk and size of that component to the group.

Reporting threshold

- We will report to you all misstatements identified in excess of £65k, in addition to any matters considered to be qualitatively material.

A summary of our approach to determining materiality is set out below.

	Group (£)	Authority (£)	Subsidiary (£)
Materiality for the financial statements	1,300,000	1,235,000	715,000
Performance materiality	975,000	926,000	536,000
Reporting threshold	65,000	65,000	N/a

Progress against prior year audit recommendations

We identified the following issues in our 2024/25 audit of the Council's financial statements, which resulted in four recommendations being reported in our 2024/25 Audit Findings Report and two having been raised in our 23/24 report that were not addressed by the 2024/25 audit. We have followed up on the implementation of our recommendations and they are still to be addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	<p>Source Data Delivery to the Valuer (Property, plant and equipment and Investment properties)</p> <p>We identified discrepancies in the source data used by the Council's valuation expert compared to the supporting evidence maintained by the Council.</p> <p>Inaccurate or incomplete data supplied to valuers increases the risk of property valuations being misstated. Differences were noted in floor areas, rental amounts and lease terms used by the valuer versus those outlined in Council records, resulting in a valuation variance.</p>	<p>Management Response 2024/25</p> <p>Work is underway to ensure that all documentation required to support the figures supplied to the Council's external valuers is up to date and retained for future reference. This work will be complete before the audit of the 2025/26 accounts begins.</p> <p>Management update 2025/26</p> <p>The council is ensuring that it has documentation for all figures provided to the valuer for 2025/26, and will double-check these against the figures used in the valuation worksheets once received.</p>
In progress	<p>IFRS 16 - Leases</p> <p>We identified trivial variance in the recalculation of opening and closing balances of right of use assets and lease liabilities due to incorrect application of the appropriate discount rate methodology, and non-segregation of maintenance and service components from lease payments.</p> <p>We also identified trivial variances in recalculation of future lease income receivable under operating lease.</p>	<p>Management Response 2024/25</p> <p>The right of use assets and lease liabilities figures will be amended for 2025/26. Any new assets will be double checked for any maintenance costs included within lease payments, and a reasonability check applied to calculations undertaken, to spot if any errors have occurred. A double check of the methodology used will be undertaken for new right of use assets to ensure the figures are correct.</p> <p>Management update 2025/26</p> <p>Balances will be updated for the 2025/26 accounts, and figures will be double-checked for accuracy.</p>

Progress against prior year audit recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	<p>Completeness of related parties</p> <p>During our audit of the related parties' disclosure, we perform independent check for related parties of the Councillors using a Companies House Search to identify any related parties not included in the management's related party register. We found that one related party for one Councillor was missing from the register. As part of ensuring the completeness of related parties, management should have a control that should detect such omissions.</p>	<p>Management Response 2024/25</p> <p>The legal duty for ensuring that elected Members declare their interests and keep that up to date throughout their term lies upon each elected Member. This is clear within the wording of the Member Code of Conduct adopted by the Council, which in turn adopted the LGA Model Code. They are reminded of this when they are provided training as part of their induction shortly after their election and this is repeated after each 4-year term. The recommendation is disproportionate to the identified risk and where no material consequences have been evidenced. The Council does not consider the additional resources required to adopt the recommendation to be either essential or proportionate, particularly as Council budgets and resources are under significant pressure.</p> <p>Management update 2025/26</p> <p>We have added a task to our closing timetable to check with Democratic Services as to whether Members have completed updated declarations to ensure they have been captured and included within the annual declaration they submit as part of the 2025/26 accounts process.</p>
In progress	<p>Investment properties formal valuation</p> <p>During our audit, we found that seven investment properties were not formally revalued in FY 2025. Upon pro-rating the opening value to the overall percentage movement in the value of re-valued investment properties, we did not identify any material adjustment in terms of these properties' valuation. In our opinion, all investment properties as at the year-end should be revalued every year in accordance with the CIPFA Code.</p>	<p>Management Response 2024/25</p> <p>While management recognises the provision within the CIPFA Code, the properties in question are relatively small and this does not result in a material misstatement to the accounts. In light of the fact that these properties are not material, the Council does not consider the cost of the yearly valuation essential, particularly as Council budgets are under significant pressure, and will seek to review the valuation of these properties over a longer time period.</p> <p>Management update 2025/26</p> <p>The low-value investment properties have been included on the list of properties to be valued for 2025/26.</p>

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audits and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audits will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach. We will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Civica	General Ledger and Financial Reporting	<ul style="list-style-type: none"> ITGC assessment (design and implementation)

Interim Audit Work

Details of work to be conducted at interim:

The backstop date is moving earlier in the year, as a result and to ensure that all work can be completed by this date, we will be using an interim visit as a key part of the audit approach. Interim visits should be treated with the same importance as final accounts and will include regular catch-ups between management and the audit team to facilitate this work. An indicative plan of the areas that we would cover at interim is set out below, this will be finalised and agreed with management prior to the commencement of our interim visit.

Description	Work commentary
Advance testing areas	<p>We will select samples and perform advanced testing on:</p> <ul style="list-style-type: none"> • Fees and charges • Grant income • Operating expenditure • REFCUS • Existence testing
Payroll	<p>We will:</p> <ul style="list-style-type: none"> • Select & test a sample of starters, leavers and change of circumstances • Review monthly payroll reports up to month 9.
Significant / one-off transactions / changes in policy	<p>We will inquire/perform a review of the council's approach to PPE valuations and implementation of indexation within the revaluation cycle. This includes query to management on how the indexation on PPE valuation will be implemented including any inputs from the external valuer.</p>
Collation of year end balance information	<p>Obtain year-end listing of bank, investments and borrowing accounts, along with the corresponding authority letter, to enable the issuance of year-end balance confirmations</p>

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement was introduced from November 2025. The three specified reporting criteria are set out below:

Financial sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Planning is in progress and no significant VfM risks have been identified to date. We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

Risks of significant weakness in VFM arrangements

Initial Risk assessment of the Council’s VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this indicative audit plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Financial sustainability	A <ul style="list-style-type: none"> No risk of significant weakness identified 	<ul style="list-style-type: none"> No risk of significant weakness identified 	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code; we will follow up on the 23/24 improvement recommendations.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Risks of significant weakness in VFM arrangements

(continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Governance	<p style="text-align: center; font-size: 2em; font-weight: bold; color: black;">A</p> <ul style="list-style-type: none"> No significant weaknesses in arrangements identified. One improvement recommendation raised 	<p>No risks of significant weakness identified</p>	<p>As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2024/25.</p>
Improving economy, efficiency and effectiveness	<p style="text-align: center; font-size: 2em; font-weight: bold; color: black;">G</p> <ul style="list-style-type: none"> No significant weaknesses in arrangements identified. No improvement recommendations made. 	<p>No risks of significant weakness identified</p>	<p>As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code.</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Risks of significant VFM weaknesses

As part of our initial planning 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 where we needed to perform additional procedures. The risks we have identified are detailed on the table overleaf along with the further work we will perform. We will continue to review the Council's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

Potential types of recommendations



Statutory recommendation

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 Council to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in 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'.



Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

Logistics

The audit timeline

Key Dates

Audit phases:

Audit and Scrutiny Committee:
19 March 2026

Year end:
31 March 2026

Audit and Scrutiny Committee:
12 November 2026

Close out:
16 November 2026

Sign off:
30 November 2026

Planning – 2 weeks
w/c 09 February 2026

Interim – 2 weeks
w/c 23 March 2026

Final – 9 weeks
w/c 21 September 2026

Completion – 1 weeks
w/c 23 November 2026

Key elements

- Planning meeting with management to set audit scope
- Agree timetable and deliverables with management and Audit and Scrutiny Committee
- Issue the indicative audit plan to management and Audit and Scrutiny Committee
- Planning meeting with Audit and Scrutiny Committee to discuss the Indicative Audit Plan

Key elements

- Document design effectiveness of systems and processes
- Review of key judgements and estimates
- Any planned additional testing.

Key elements

- Audit teams onsite to complete fieldwork and detailed testing
- Audit of the financial statements
- Weekly update meetings with management
- Technical review of financial statements

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Audit and Scrutiny Committee
- Audit Findings presentation to Audit and Scrutiny Committee
- Auditor’s Annual Report
- Finalise and sign financial statements and audit report

Our team and communications

Grant Thornton core team

<p>Ade Oyerinde Engagement Lead/Key Audit Partner</p> <ul style="list-style-type: none"> • Key contact for senior management and Audit and Scrutiny Committee • Overall quality assurance 	<p>Usman Rasheed Audit Manager</p> <ul style="list-style-type: none"> • Indicative audit planning • Resource management • Performance management reporting 	<p>Matt Lee Value for Money Assistant Manger</p> <ul style="list-style-type: none"> • Planning the Value for Money audit • Drafting and agreeing the Annual Audit report with management. 	<p>Amrita Sekhon In-charge</p> <ul style="list-style-type: none"> • On-site audit team management • Day-to-day point of contact • Audit fieldwork
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Pool of specialists and other technical specialists, including IT and financing modelling

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> • Annual client service review 	<ul style="list-style-type: none"> • The indicative audit plan • The Audit Findings • Auditor’s Annual Report 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log 	<ul style="list-style-type: none"> • Technical updates
Informal communications	<ul style="list-style-type: none"> • Open channel for discussion 		<ul style="list-style-type: none"> • Communication of audit issues as they arise 	<ul style="list-style-type: none"> • Notification of up-coming issues

Our fee estimate

Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare good quality sets of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant estimates made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:

- Revaluation of Property Assets including Investment Property
- Measurement of the defined pension liability
- Financial instrument disclosures
- Measurement of the Non-Domestic Rates appeals provision

Previous year

In 2024/25 the scale fee set by PSAA was £170k. The actual fee charged for the audit, including audit of subsidiary companies (where applicable) was £183k.

Company	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
Epsom and Ewell Borough Council Audit	169,922	174,679
Additional work related to IFRS 16	8,500	-
Additional audit costs due to delay in receipt of information **	4,750	-
Total (Exc. VAT)	183,172	174,679

** The additional fees are subject to approval from PSAA

Our fee estimate (continued)

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audits for the Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £174,679.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft indicative audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Fees and non-audit services

The following tables below sets out the non-audit services that we have been engaged to provide or charged from the beginning of the financial year, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Group's policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Epsom and Ewell Borough Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees. Other than disclose below, there are no other non audit services.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Housing Benefits Grant return	For the 2023-24 audit the Core Fee was £45,000. The additional fees based on additional testing as required by the DWP instructions, is to be finalised on completion of certification.	Self-Interest (because this is a recurring fee) Self-review (because Grant Thornton provides audit services)	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 small in comparison to the total fee for the audit 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 all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat, the timing of certification work is done after the audit has completed. Any changes to subsidy payable will be determined by DWP and we will have no involvement in the decision. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the proposed service in line with the instructions and reporting framework issued by the reporting body.

Independence considerations

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group .
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Communication of audit matters with those charged with governance

Our communication plan	indicative audit plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the Group audit, including: Scope of work on components, involvement of Group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the Group audit, fraud or suspected fraud	●	●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the indicative audit plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance (Continued)

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Our communication plan	indicative audit plan	Audit Findings
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

Financial reporting changes

Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

- introducing new defined categories for the presentation of income and expenses
- introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal
- disclosure of management defined performance measures
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from [2027/28](#).

Scope of Group audit

	Company name	Risk of material misstatement to the Group	Location	Auditor	Audit scope	Specific account balances in scope	Statutory audit
Council	Epsom and Ewell Borough Council	Yes	Surrey	Grant Thornton UK			Yes
Council Subsidiary	Epsom and Ewell Property Investment Company EEPIIC	Yes	Surrey	Grant Thornton UK		<ul style="list-style-type: none"> • Investment properties • Cash at bank • Rental revenue • Gain/(loss) on revaluation of investment properties 	Yes

Audit scope

- Audit of the entire financial information of the component
- Specific audit procedures designed by the Group auditor
- Specific audit procedures designed by a component auditor
- Analytical procedures at Group level

Scope of Group audit (continued)

In accordance with ISA (UK) 600 Revised, 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.

Key changes within the Group

There have been no changes to the Group structure in the current year. The Group continues to comprise Epsom and Ewell Borough Council as parent and one wholly owned subsidiary (100%).

Fraud and litigation

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

Involvement in the work of component auditors

No component auditor is involved. The Group auditor (GT) will perform audit procedures on specific balances of subsidiary as set out in page 33. Therefore, all audit work for Group and component financial information is performed by the same audit team, and ISA (UK) 600 Revised requirements for involvement in a component auditor's work are not applicable.



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