



EPSOM AND EWELL BOROUGH COUNCIL

Internal Audit Progress Report

**Audit, Crime & Disorder and Scrutiny
Committee Meeting**

23 November 2017

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1 INTRODUCTION

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

2 FINDINGS CONSIDERED AT THIS AUDIT COMMITTEE

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

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

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Booking System and Income Collection (1.17/18)	FINAL	Reasonable Assurance	3	0	0
Emergency Planning (2.17/18)	FINAL	Reasonable Assurance	4	3	0
Property Management (3.17/18)	FINAL	Reasonable Assurance	5	0	0
Commercial Property Acquisition (5.17/18)	FINAL	Substantial Assurance	0	0	0

In addition to the above, and as can be seen in the table in Section 3 below, we have issued a further report in draft and are awaiting management responses before we are able to finalise these reports.

3 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2017/18	Status
Grant Reviews	As required	Complete - Certificate signed off 8 June 2017
Local Plan (4.17/18)	June 2017	Draft report issued 25 August 2017 Revised draft issued 7 November 2017
Business Process Review - Housing	Deferred from 2016/17	Fieldwork in progress
Revenues	December 2017	Fieldwork in progress
Benefits	December 2017	Fieldwork in progress
Contract Management – Transport	March 2018	Fieldwork in progress
Payroll	January 2018	Suggested start 11 December 2017
Planning	October 2017	Suggested start 18 December 2017
Data Protection	November 2017	Suggested start 22 January 2018
Governance	February 2018	Suggested start 12 February 2018
Housing Needs	September 2017	Management request for deferral to 2018/19
Private Sector Leasing	October 2017	Management request for deferral to 2018/19
Temporary Accommodation Initiatives	October 2017	Management request for deferral to 2018/19
Cyber Security	June 2017	Update requested
It General Controls	December 2017	Update requested
Follow Up	Throughout the year	Ongoing

4 OTHER MATTERS

4.1 Changes to the audit plan

Since the last meeting of the Audit, Crime & Disorder and Scrutiny Committee we have received requests to defer three audits, all in the area of housing and relating to Private Sector Leasing, Housing Needs and Temporary Accommodation Initiatives as this area is going through a period of change at the current time. These requests are being discussed internally in order to ascertain if it would be possible to complete at least one of these audits prior to Christmas. Should these audits be deferred into 2018/19 we would need to discuss with management replacing these with another other areas for audit in order to still have sufficient audit coverage to provide our annual opinion.

4.2 Information and briefings

There have been no information briefings since the last Audit Committee

FOR FURTHER INFORMATION CONTACT

Mike Cheetham, Head of Internal Audit

mike.cheetham@rsmuk.com
07800 617204

Lorna Raynes, Client Manager

lorna.raynes@rsmuk.com
07972 004175

BOOKING SYSTEM AND INCOME COLLECTION - EXECUTIVE SUMMARY

1.1 Background

An audit of the Council's Venues Booking System and Income Collection was undertaken as part of the approved internal audit plan for 2017/18.

The Council has over 30 separate rooms that are available for hire to the general public across a number of venues in the Borough, including Bourne Hall, Epsom Playhouse, Ewell Court House and the Longmead Centre. The venues can be hired for a number of different purposes including weddings, parties, activities and business meetings.

As of April 2016, the Venues team and the Venues Service Co-ordinators have been using the new Artifax system for the processing and management of venue bookings. This web-based software allows for one centrally held, electronic record of bookings for all the venues within Epsom & Ewell borough.

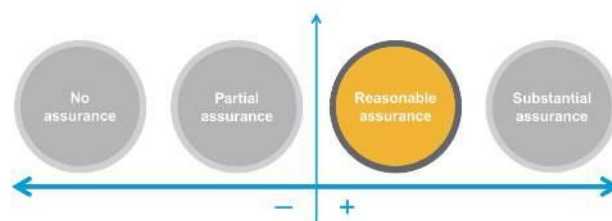
For the 2016/17 final year, total income across the Council's venues was £805,708.50. This represented a marked increase on the 2015/16 total income figure of £733,918.58. This increase may in part be attributed to the associated loss of income with damage to Ewell Court House following a fire during the previous year.

The objective of this audit was to ensure venues income is fully recorded and brought to account since the introduction of the new Artifax system.

1.2 Conclusion

Internal audit opinion:

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



1.3 Key findings

The key findings from this review are as follows:

- We reviewed a sample of 10 discounts on bookings during 2016/17. For four of these discounts, we could not confirm that the Head of Venues and Facilities had given approval before the site manager had offered the discount to the customer. This presents the risk that there may not be appropriate authority given for some discounts before they are offered to customers.
- Annual fees and charges for the Council's venues are considered at the Community and Wellbeing and then subsequently approved at Full Council level. For a sample of 10 fee lines from the formally approved fees, we confirmed that one fee line had not been updated for 2017/18. The value stated on the Artifax system should correspond to the agreed fees and charges to ensure the full and proper collection of income due to the Council.

- We reviewed ten accounts in arrears with the Council following their booking of a venue. In relation to a wedding due to take place in April 2017, we confirmed that the initial deposit had been paid appropriately by the individual. However, an invoice has not yet been sent out to recover the outstanding £224.15 before the wedding is due to take place. In line with the instalment procedure at the Council, this invoice should have been sent out a month before the wedding was due to take place. This presents a risk that fees due to the Council are not collected in full before the event takes place.

The following good examples of the design and application of the control framework were noted:

- The Venues team has in place procedural documentation to refer to when using the Artifax system. This was produced in the early stages of Artifax going live and acts as a guidance tool for reference by the Venues Service Co-ordinators. Guidance notes were disseminated via email to the Venues Service Co-ordinators upon the adoption of the Artifax system.
- Information that is clear and accessible is clearly signposted on the Council's website. This ensures that potential customers can easily gain the information necessary to encourage them to book venues with the Council.
- For a sample of 25 bookings in 2016/17 across four EEBC venues (Bourne Hall, Epsom Playhouse, Ewell Court House and the Longmead Centre) we confirmed that, where necessary, a booking form was in place which detailed the nature of the booking and all relevant contact information. In each case, the arrangement was paid for in full as per the debtors system. No exceptions were noted.
- Some events booked at the Council's venues require a deposit of half the total booking value at the date of booking. Following this, a final instalment is paid a month before the event takes place. These events are typically weddings or religious ceremonies. For a sample of ten events that were paid via deposit and final instalment, we confirmed that deposit and final payment was recorded appropriately and received in full on the debtors system.
- A scale of fees is agreed upon at the Leisure Committee level and this is used across the Council as the rate at which customers are charged for venue hire.
- Key performance indicators are in place to monitor trends in performance at the Council. This is in the form of an income monitoring spreadsheet to document income received for the year against projected income. As per the internally generated spreadsheet, for the 2016/17 final year total income across the Council's venues was £805,708.50
- The Head of Venues and Facilities reviews income posted to the accounting ledger on a monthly basis with the senior accountant. Income levels are analysed and satisfactorily compared to records within the Artifax system

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The action plan at section two details the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Venue Hire income: bookings, fees and charges, invoice requests and reports of income received.	0	(10)	3	(10)	3	0	0
Total					3	0	0

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

2 DETAILED FINDINGS

Categorisation of internal audit findings

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

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

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Area: Venue Hire income: bookings, fees and charges, invoice requests and reports of income received.								
1.1.4	Discounts are applied to bookings in a fair and appropriate manner, with a view to securing as much income as possible for the Council	Yes	No	<p>We reviewed a sample of 10 discounts on bookings approved at the Council during 2016/17, confirming that the reasoning behind each discount was valid.</p> <p>However, for 4/10 discounts offered in the sample, we could not confirm that the Head of Venues and Facilities and given approval before the site manager had offered the discount to the customer. These were:</p> <p>1) BH 117 - Acacia Bridge Club</p>	Low	Management will ensure that all discounts offered by the Council are subject to approval by the Head of Venues and Facilities before being given. This will be supported by the ongoing development and amendment of the discount pricing protocol in place. This will allow site managers to approve discounts below a certain threshold without	01 July 2017	Andrew Lunt - Head of Venues and Facilities

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>2) ECH 65 - ECHO</p> <p>3) LMC 3 - Addaction</p> <p>4) LMC 5 - Lucie Benson School of Dance</p> <p>Through discussion with the Head of Venues and Facilities, we confirmed that in cases where discounts were for small values this may not present an issue. However, for those bookings that are of greater value, all discounts should be agreed by the Head of Venues and Facilities.</p> <p>Currently, the Head of Venues and Facilities is developing a method to ensure that below a certain threshold, the site managers have the ability and authority to approve discounts. Development of this is ongoing.</p>		approval from the Head of Venues and Facilities.		
1.1.7	A scale of fees for venue bookings is in place and is subject to annual review	Yes	No	<p>We reviewed the Community and Wellbeing Committee minutes from 24 January 2017 to confirm that they had been formally reviewed and approved at Committee level before being sent to Full Council for final approval.</p> <p>We selected a sample of 10 fee lines from the formally approved fees and charges document. In one case, we noted that the fee value had not</p>	Low	Management will ensure a review over the current fees and charges entered on to the Artifax system are accurate as per the agreed fees and charges approved by the Community and Wellbeing Committee and the Full Council.	01 June 2017	Andrew Lunt - Head of Venues and Facilities

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>been updated in line with the new 2017/18 rate. This was for Kitchen Hire at Ewell Court House.</p> <p>Via discussion with the Venues Administration and Finance Co-ordinator, we noted that this particular fee line was rarely used. However, the value stated on the system should correspond to the agreed fees and charges to ensure the full and proper collection of income due to the Council.</p>				
1.1.9	Unpaid booking fees are promptly pursued using appropriate recovery methods	Yes	No	<p>We reviewed a sample of ten accounts that were currently in arrears for venues bookings.</p> <p>In 9/10 cases, appropriate action had been taken to recover the outstanding amounts in full. This included sending the initial invoice and reminder letters as detailed within the Debtors system.</p> <p>However, in one case relating to a wedding booking due to take place in April 2017 we confirmed that the initial deposit had been paid appropriately by the individual. However, an invoice has not yet been sent out to recover the outstanding £224.15 before the wedding is due to take place. In line with the instalment procedure at the Council, this invoice should have</p>	Low	Management will ensure that instalment invoices are sent to the Council's debtors a month in advance of their wedding or celebration event taking place at one of the Council's venues. One such method of doing this would be to reintroduce a spreadsheet which documents the full list of weddings or celebratory bookings. This spreadsheet would detail those events that have been booked at the Council to record whether the instalment	01 June 2017	Andrew Lunt - Head of Venues and Facilities

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>been sent out a month before the wedding was due to take place. Accordingly, there is a risk that income is not collected in full before events hosted at the Council's take place.</p> <p>Through discussion with the Exchequer Team Leader, we confirmed that a member of staff has recently left the Council who used to maintain a spreadsheet to record wedding bookings.</p>		plan has been set up on the Debtors system.		

EMERGENCY PLANNING - EXECUTIVE SUMMARY

1.1 Background

An audit of Emergency Planning was undertaken as part of the approved internal audit periodic plan for 2017/18. As agreed with the Head of Governance, the audit included coverage of the Council's off-site backup and access arrangements, with particular focus on the shared IT service arrangements with Elmbridge Borough Council.

The Civil Contingencies Act (2004) requires Local Authorities to develop and test plans to respond to emergencies. District Councils are Category 1 or "core" responders under the Act with a responsibility to provide a District Emergency Control Centre when required, support the emergency services, assist people in need and provide public information.

Responsibility for Emergency Planning, and also supporting and advising on Departmental arrangements for Business Continuity, belongs to the Emergency Planning and Business Continuity Officer. Key tasks for the Emergency Planning and Business Continuity Officer include updating the Council's central Emergency Plan, offering refresher training to relevant members of staff and ensuring key control centre arrangements have been developed and tested. Typical control centre exercises undertaken at the Council include:

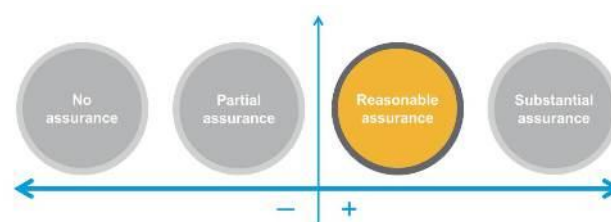
- Epsom & Ewell Rest Centre Exercise - to ensure appropriate short term provision for residents (and visitors to the borough) displaced by an emergency.
- Borough Emergency Control Centre (BECC) Exercise - to test the operation of the Borough Emergency Control Centre in response to a major incident.
- Business Continuity Exercise - to enhance the Council's ability to respond to Business Continuity incidents.

The objective of this audit was to ensure the Council maintains the capability to fulfil its responsibilities in the event of a major emergency.

1.2 Conclusion

Internal audit opinion:

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



1.3 Key findings

The key findings from this review are as follows:

We identified three issues which we have assessed as 'Medium' significance. These are:

- With regards to the ICT Business Continuity Plan, we could not confirm that critical function analysis had been undertaken appropriately. Although the plan does list ICT's critical functions, such as telecommunications and managing the website, it does not detail how these areas will be managed in the case of an emergency. Unlike the other two plans sampled, the ICT plan fails to highlight resources required to ensure business continuity, such as staff and key equipment.

Accordingly, this presents the risk that the ICT department has not adequately considered the delivery of its key functions in the case of an emergency and may not be prepared when a threat to business continuity presents itself.

- We reviewed the Memorandum of Agreement in place with Elmbridge Borough Council. Through discussion with the Head of Governance and the acting Head of ICT, we confirmed that there have been changes to working patterns at Elmbridge Borough Council as they have recently adopted flexible working/hotdesking. Accordingly, there are concerns that Elmbridge Borough Council may not have adequate desk space to house officers from Epsom and Ewell Borough Council. In addition, we could not confirm that a scheduled or regular review for the ICT Shared Service Agreement was in place.
- We confirmed through discussion with the acting Head of ICT that there are currently no known disaster recovery plans in place for the shared data centre with Elmbridge Borough Council. We did confirm that the previous Head of ICT has recently departed from his position and these disaster recovery plans may be in place, but were unable to be provided to us at the time of the audit. Accordingly, we cannot place assurance in the disaster recovery processes in place at the new data centre as no documentation has been presented to support this.

We have identified four other issues which we have assessed as 'Low' and action has been agreed in response to these.

Notwithstanding the above, we have also identified the following examples of sound application of and compliance with control framework:

- We reviewed the Emergency Planning documentation. We found that the Emergency Plan includes a log of reviews and updates which show reviews have taken place and when the next review date has been set for. Areas within the Emergency Plan include the aim of the plan, objectives, roles and responsibilities and procedures for managing the Council's response to an emergency.
- We also reviewed the Integrated Emergency Management Strategy. We confirmed that the Integrated Emergency Management Strategy includes a log of reviews and updates which show reviews have taken place and when the next review date has been set for.
- In addition, we reviewed the EEBC Emergency Assistance Centre Plan, Borough Emergency Control Centre Plan and the Multi Agency Flood Plan. In each case, we confirmed that a log of reviews was clearly detailed, the document was regularly reviewed and was up to date and complete.
- We confirmed that the Emergency Plan and associated documentation, including the Call-out Cascade is available to relevant members of staff and is appropriately signposted. This is documented on the Council's shared drive. Hard copies of the Emergency Plan and the Call-out Cascade are available for reference by the relevant members of staff and are given to staff as and when new editions of the plans are created.
- We reviewed the Emergency Plan, the Borough Emergency Control Centre Plan and the EEBC Assistance Centre Plan. In each case, we confirmed that there was clear detail regarding the roles of responsible individuals at the Council in the case of an emergency.
- The Emergency Planning and Business Continuity Officer offers induction training for all Incident Liaison Officers (ILO). An ILO is an officer of the Council who has a wide knowledge of the functions, capabilities, limitations and resources available within the Council. We reviewed the checklist covered at induction training and confirmed this to be appropriate.

- We reviewed documentation provided by the Senior Building Surveyor that confirmed the Council's generator was last tested in October 2016. Following discussion with the Senior Building Surveyor, we confirmed that the generator is currently being maintained under a 1 major and 1 minor service per annum.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The action plan at section two details the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Emergency Plan and Supporting Plans	0	(5)	2	(5)	2	0	0
Training Arrangements	0	(1)	1	(1)	1	0	0
Departmental Business Continuity Plans	0	(2)	2	(2)	1	1	0
ICT Shared Service With Elmbridge Borough Council	2	(2)	0	(2)	0	2	0
Back-up Generator Arrangements	0	(1)	0	(1)	0	0	0
Total					4	3	0

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

2 DETAILED FINDINGS

Categorisation of internal audit findings

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

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

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Area: Emergency Planning and Supporting Plans								
1.1.2	An Emergency Plan is in place and kept under review. This is supported by: - a Emergency Assistance Centre Plan - Integrated Emergency Management Strategy - Borough Emergency Control Centre Plan (BECC)	Yes	No	We reviewed the Emergency Planning documentation. We found that this includes: - ownership of the plan - objectives of the Emergency Plan - definitions of key terms: Gold, Silver, Bronze Commands; routine, minor and major incidents - phases of an incident - activation arrangements including a Cascade Call Out flowchart appendix A includes immediate responses and considerations that should occur at the Leadership Team level. - initial actions	Low	Management will ensure a review of the Emergency Plan and supporting plans is undertaken to update key members of staff within the documentation. Management will ensure that a review of the Call-out Cascade is undertaken immediately. For each area in which there is insufficient contact information, notably Building Control	01 Feb 2018	Gill Marchbank - Emergency Planning and Business Continuity Officer

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<ul style="list-style-type: none"> - Borough Emergency Control Centre Plan - Call-out Cascade - Multi Agency Flood Plan The Surrey Community Risk Register identifies risks 			<p>and checklists - roles and responsibilities defined</p> <p>In addition, we reviewed the Integrated Emergency Management Strategy. We found that this contained the following appropriate topic areas:</p> <ul style="list-style-type: none"> - Council-Wide Integrated Emergency Management Plan & Procedures - Emergency Planning, Response & Recovery - Major Industrial Hazards - Business Continuity Management - Exercising and reviewing arrangements <p>Similarly, we reviewed the Emergency Assistance Centre Plan, the Borough Emergency Control Centre Plan and the Multi Agency Flood Plan. In each case, we confirmed that appropriate topic areas were covered and each plan was complete.</p> <p>However, upon review of the Emergency Plan and the Call-out Cascade we confirmed that the Chief Executive of the Council has since changed and needs to be updated. This individual has a key role to play in the Council's response to an emergency.</p>		<p>and ICT Support, new contact details for responsible members of staff will be added.</p>		

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				In addition, through discussions with the Emergency Planning and Business Continuity Officer, we confirmed that some key contacts are missing from the Call-out Cascade. We confirmed that there is only one contact detailed with responsibility for Building Control and one contact detailed for ICT support. Furthermore, the ICT Manager detailed has also since left his post, meaning that there is no member of staff within ICT who is available on the Call-out Cascade.				
1.1.3	Exercises have been carried out to test arrangements	Yes	No	<p>We reviewed the records of exercises and incidents for three test exercises ran by the Emergency Planning and Business Continuity Officer. The three testing exercises we reviewed were:</p> <ul style="list-style-type: none"> - Epsom & Ewell Rest Centre Exercise - April 2014. To ensure appropriate short term provision for residents (and visitors to the borough) displaced by an emergency. - Borough Emergency Control Centre (BECC) Exercise – October 2015. To test the operation of the Borough Emergency Control Centre in response to a major incident. 	Low	Management will ensure that any actions arising from upcoming test exercises have an associated implementation date that is achievable and realistic.	01 January 2018	Gill Marchbank - Emergency Planning and Business Continuity Officer

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner	
				<p>- Business Continuity Exercise - March 2016. To enhance the Council's ability to respond to Business Continuity incidents.</p> <p>Following our review, we confirmed that the testing exercises adequately detailed the following areas:</p> <ul style="list-style-type: none">- Exercise aim and objectives- Details of the nature of the exercise- Feedback/Limitations- Examples of what worked well- Action Plan <p>With regards to the Action Plan, we confirmed that the most recent test exercise for Business Continuity Plans (March 2016) had an action plan that detailed the actions to be completed as well as implementation dates for these actions. For the other two action plans, we could not confirm that implementation dates were in place. Accordingly, we acknowledge that implementation dates are now used for test exercises and lessons learned but we would need to see further evidence of this going forward to place assurance in this.</p> <p>Without achievable and realistic implementation dates alongside actions, there is a risk that actions</p>					

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				following test exercises will not be put in place in a timely manner.				
Area: Training Arrangements								
1.2.1	A training spreadsheet is maintained for officers with Emergency Planning responsibilities.	Yes	No	<p>We reviewed the Council's Staff Training Record which is maintained by the Emergency Planning and Business Continuity Officer. We confirmed this is regularly updated, with the most recent update taking place in April 2017.</p> <p>The Staff Training Record details all responsible individuals who require training and the training they have currently undertaken. Training available includes:</p> <ul style="list-style-type: none"> - BECC Exercise - Rest Centre Training Exercise - ILO Training - Business Continuity Exercise - Leadership Team Training <p>However, for a number of senior staff, we confirmed that a number of individuals have not had training across the full range of core areas or have not been trained for some years. Accordingly, there is a risk that these officers would not be fully up to date with current plans and how to operate in the event of a Major Incident.</p>	Low	The Emergency Planning Officers will decide the training and frequency of refresher training for each Emergency Planning role and flag this in the training record for ensuring refresher training is provided.	01 December 2017	Gill Marchbank - Emergency Planning and Business Continuity Officer

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				We also reviewed Surrey's Local Resilience Forum Training & Exercising Prospectus and confirmed this to be adequate.				
Area: Departmental Business Continuity Plans								
1.3.1	Business Continuity Plans have been completed to standard formats for each service.	Yes	No	<p>Business Continuity Plans are maintained at department level by Heads of Department. We reviewed a sample of three Business Continuity Plans selected. These were:</p> <ul style="list-style-type: none"> - Human Resources and Payroll - ICT - Customer Services and Business Support <p>In each case, we confirmed these to be reviewed in a regular manner and all areas expected were covered. These areas included:</p> <ul style="list-style-type: none"> - Mission Aim and Objectives - Critical Business Functions - Review of Key Documents - Review of Key Facilities - Coordinating Instructions - Training, Validation and Review <p>However, with regards to the ICT Business Continuity Plan, we could not confirm when the plan was next due for review. Accordingly, there is a risk that the responsible owner of the ICT Business Continuity Plan</p>	Low	The Acting Head of ICT will ensure that all relevant sections of the ICT Business Continuity Plan are completed. The Emergency Planning and Business Continuity Officer will offer guidance on how key sections of the plan are to be completed.	01 Feb 2018	Paul Wilcox – Acting Head of ICT; Gill Marchbank – Emergency Planning and Business Continuity Officer

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				may not review the plan in an appropriate timeframe.				
1.3.2	<p>Each service has a Critical Function Analysis. This details the key functions that each service line needs to perform and the resources required to do so in the event of an emergency.</p> <p>This includes details of the function and the resources required, including:</p> <ul style="list-style-type: none"> - Staff - Data/Systems - Key equipment (both IT and non-IT) - Supplies 	Yes	No	<p>Business Continuity Plans are maintained at department level by Heads of Department. We reviewed a sample of three Business Continuity Plans selected. These were:</p> <ul style="list-style-type: none"> - Human Resources and Payroll - ICT - Customer Services and Business Support <p>For both Human Resources and Payroll and Customer Services and Business Support, we confirmed that critical function analysis has been undertaken with adequate detail. For example, critical functions that were analysed in relation to Human Resources and Payroll included:</p> <ul style="list-style-type: none"> - Giving staff and managers advice - Provide pay and pension details to MHR, Surrey County Council & staff - Manual staff records; electronic staff records - Disciplinary and grievance timings <p>However, with regards to the ICT Business Continuity Plan, we could not confirm that critical function analysis had been undertaken appropriately. Although the plan</p>	Medium	<p>The ICT department will undertake a review into their current Business Continuity Plan and provide further detail surrounding the critical function analysis. The critical function analysis should adequately document the details of the function and any resources required for the recovery of the function</p>	01 Feb 2018	Paul Wilcox – ICT Business applications Manager ; Gill Marchbank – Emergency Planning and Business Continuity Advisor

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>does list ICT's critical functions, such as telecommunications and managing the website, it does not detail how these areas will be managed in the case of an emergency. Unlike the other two plans sampled, the ICT plan fails to highlight resources required to ensure business continuity, such as staff and key equipment.</p> <p>Accordingly, this presents the risk that the ICT department has not adequately considered the delivery of its key functions in the case of an emergency and may not be prepared when a threat to business continuity presents itself.</p>				
Area: ICT Shared Service With Elmbridge Borough Council								
1.4.1	The Council has in place a Memorandum of Agreement for a shared ICT service with Elmbridge Borough Council. This agreement was made in April 2016 and details the agreement between the two Borough Councils if there were problems with IT access or staff were unable to work at either Council.	No	N/A	<p>We reviewed the Memorandum of Agreement in place between Epsom and Ewell Borough Council and Elmbridge Borough Council. We confirmed that it details a number of expected key areas, such as:</p> <ul style="list-style-type: none"> - Project collaboration - Sharing of staff and resources - Termination - Charges and liabilities - Insurance <p>However, through discussion with the Head of Governance and the acting Head of ICT, we confirmed</p>	Medium	The Emergency Planning and Business Continuity Officer and the acting Head of ICT will liaise to review the current Memorandum of Agreement for the ICT Shared Service with Elmbridge Borough Council. A discussion will be undertaken with senior officers at Elmbridge Borough Council to establish what arrangements are still in place and can be agreed	01 February 2018	Paul Wilcox – ICT Business Applications Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>that there have been changes to working patterns at Elmbridge Borough Council as they have recently adopted flexible working/hotdesking. Accordingly, there are concerns that Elmbridge Borough Council may not have adequate desk space to house officers from Epsom and Ewell Borough Council.</p> <p>In addition, we could not confirm whether there is a scheduled review date for the ICT Shared Service agreement or whether there is a regular review undertaken to ensure the agreement remains relevant and effective given changing work patterns at both Councils. Without regular review of the agreement, the agreement is in danger of becoming outdated and less effective in ensuring business continuity for the two Councils in the face of a business emergency.</p> <p>Within Annex A of the document, a business continuity and disaster recovery entitled ADAM is detailed. As per the contract, both "authorities wish to add resilience to their business functions by jointing benefitting from service products relating to the protection, backup, security, recovery and replication of computer-held applications and data in the event or events destroying or</p>		<p>going forward, with particular focus on desk space at the respective Councils in cases of emergency.</p> <p>As the shared service is due to cease within six months, the agreement should be prepared on a short-term basis to cover plans between the two Councils only in the short run.</p>		

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>disabling computing facilities". However, this contract ended on 31 March 2017 which raises concerns as to whether the business continuity arrangements are still applicable.</p> <p>Following discussion with the acting Head of ICT, we confirmed that the shared service with Elmbridge Borough Council is due to cease within the next six months.</p>				
1.4.2	Epsom and Ewell Borough Council is entering into an agreement with Elmbridge Borough Council over a shared Data centre. The new Data centre should have documented disaster recovery procedures in place that have been tested prior to the Data centre going live.	No	N/A	<p>We confirmed through discussion with the acting Head of ICT that there are currently no known disaster recovery plans in place for the shared data centre with Elmbridge Borough Council. We did confirm that the previous Head of ICT has recently departed and these disaster recovery plans may be in place, but were unable to be provided to us at the time of the audit.</p> <p>Through discussion with the acting Head of ICT, we confirmed that there are two servers at the new data centre split into two separate domains. This guarantees that if the Elmbridge server goes down, Epsom and Ewell's server will be unaffected. However, we were unable to review any business plan or technical</p>	Medium	<p>The acting Head of ICT will liaise with the relevant officer at Elmbridge and the lead at the new data centre to confirm a review of the current disaster recovery controls in place at the new data centre. These should be undertaken prior to the new data centre going live.</p> <p>Going forward, any disaster recovery procedures put in place should be tested on a regular basis to confirm adequate business continuity measures are in place.</p>	01 February 2018	Judith Doney – Acting Head of ICT.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>documentation in relation to the new data centre.</p> <p>Accordingly, we cannot place assurance in the disaster recovery processes in place at the new data centre as no documentation has been presented to support this. This presents the risk that in the event of an emergency at the data centre, there may be inadequate controls and procedures in place to guarantee business continuity for Epsom and Ewell Borough Council.</p>				

PROPERTY MANAGEMENT - EXECUTIVE SUMMARY

1.1 Background

This audit was undertaken as part of the approved internal audit plan for 2017/18.

In 2016/17 the Council agreed a Property Investment Strategy. This led to the acquisition of two investment properties funded by borrowing from the Public Works Loan Board at fixed interest rate. These are:

- 70 East Street – borrowing £5.7m
- Parkside House – borrowing £13.6m

In this review we have verified the decision to purchase was made according to Council policies. A more in-depth audit of the acquisitions is included in the 2017/18 audit plan.

In February 2017 the Strategy and Resources Committee agreed in principle to the establishment of a Local Authority Property Trading Company and set up a working group to develop this proposal.

The Council has agreed budgets for 2017/18, in addition to any 2016/17 slippage carried forward:

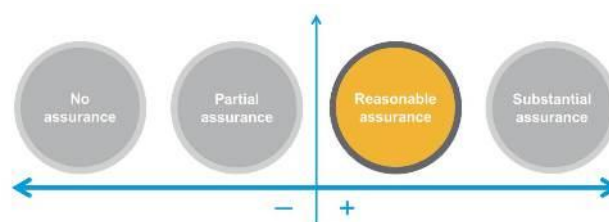
- Planned Maintenance Programme - £234k
- Capital Programme - £1,249k

1.2 Conclusion

Internal audit opinion:

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

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



1.3 Key findings

The key findings from this review are as follows:

An Asset Management Plan was in place for 2012-2016. At the time of audit, the Head of Property is drafting a revised Asset Management Plan for 2017 onwards. We reviewed the existing Asset Management Plan and found this sets out general principles for asset management and linked to the previous Corporate Plan priorities. However it does not include SMART actions (Specific Measurable Achievable Responsibility-assigned Time-bound), which means there are risks that actions are not taken and oversight of actions against target are not possible. We have therefore agreed a Low management action to ensure the newly drafted Asset Management Plan includes SMART actions.

The Asset Management Plan 2012-16 does not give specific criteria to determine decisions on acquisitions or disposals of obsolete assets. These are covered by the Property Investment Strategy for acquisition of investment properties. We agreed a Low action for this to also relate to 'non-investment' properties in the Asset Management Plan.

The Property Investment Strategy was approved by the Council in November 2016. This provides for governance arrangements for the acquisition of investment properties, including the establishment of a Property Investment Group with delegated authority to make decisions. It is designed to deliver the priority from the Corporate Plan "Managing Our Resources". It includes a scoring matrix for assessing proposed acquisitions. The scale of the Council's potential investment in acquisitions is set by the Commercial Property Acquisition Fund of £20m, with an increase to £60m recommended by the Strategy and Resources Committee. The target for rental income is set in the Corporate Plan. We have agreed a Low action to include a target review date in the Property Investment Strategy to ensure this is maintained and up to date in the future.

We reviewed the documentation of the decisions to purchase the two investment properties acquired in 2016, although we have not in this audit verified that full due diligence was carried out or that all statements in business cases can be supported. We have verified that the decisions were made in accordance with policy, by the full Council for the purchase of 70 East Street in November 2016, and by the Investment Property Group for the purchase of Parkside House on January 2017. We have verified that business cases were presented, the proposed purchases were scored in line with the Property Investment Strategy and the decisions were evidenced either in Council minutes or by both the signature and email approval of the members of the Property Investment Group.

We confirmed that corporate level risks from Property Services have been considered and one risk has been recorded in the Leadership Risk Register. Actions are identified in the register against this risk as required by the low assurance level score it was given.

Existing investment properties have been reviewed by the Council's valuer with a view to identifying properties for disposal or options for increasing the capital or revenue values of the properties.. They have provided the Head of Property with a report summarising each property in terms of asset value, rent values, tenant type and providing proposed options for each property to enhance value.

A Property Investment Needs spreadsheet has been compiled in-house for the Council's properties as a condition survey, identifying work required each year. This was developed by the Building Surveyor in consultation with the managers responsible for each building and the Capital Accountant. No record of what was agreed is recorded other than updates in the spreadsheet during the meeting. There is a risk that agreed items are over-written and there is no clear record of what was agreed. We have agreed a Low action for a record of this to be kept - such as by email confirmation to the manager involved.

The Property Investment Needs spreadsheet records a value for expected work under the year required against the component for each building. These are given a priority rating. The Council is currently only providing budget for the top priority items, priority 1A, to be included in the Planned Maintenance Programme. However we found examples of items in the Priority Investment Needs for 2017/18 which did not have a priority rating. There are risks that these should have been priority 1A rated and included in the Planned Maintenance Programme. We have agreed a Low action for additional checking of the Property Investment Needs before the maintenance programme is finalised each year.

We confirmed for a sample of properties that these had been included in the Property Investment Needs and for a sample of priority 1A items that they had been included in the Planned Maintenance Programme or the Capital Programme.

We confirmed that progress on the Property Maintenance Programme is reported to the Strategy and Resources Committee. We confirmed for a sample of items that quotations were invited from contractors for the work. From January 2017 the Council has acquired the London Tenders Portal, Pro-Contract, for the management and recording of competitive quotations and tenders. This will provide an audit trail for procurement, provide for on-line invitations to quote or tender and submissions of quotes or tenders, and will randomly include new contractors in invitations, in addition to any selected for invitation. We have not considered reactive repairs in this review.

We confirmed that for a sample of statutory risk assessments and testing, that these had been carried out and none we sampled were overdue. However we advise that the Council should consider adopting the best practice we have identified at other Councils which is to maintain a spreadsheet of all statutory tests, risk assessments and maintenance, for each building, and record when it was last carried out and when it is next due. This would provide a clear audit trail of work done and provide an efficient tool for scheduling future tests.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The action plan at section two details the specific actions agreed with management to implement.

Risk	Control design not effective*	Non Compliance with controls*	Agreed actions		
			Low	Medium	High
L8 – Reviewing the Council's asset portfolio to ensure obsolete assets are identified and asset management plan can deliver income and services and needs of services and the lack of investment in Council's assets.	0 (12)	5 (12)	5	0	0
Total			5	0	0

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

2 DETAILED FINDINGS

Categorisation of internal audit findings

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

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

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Risk:L8 – Reviewing the Council’s asset portfolio to ensure obsolete assets are identified and asset management plan can deliver income and services and needs of services and the lack of investment in Council’s assets.								
1.1.1	The Council has an Asset Management Plan covering 2012 to 2016. The Head of Properties is developing a revised Asset Management Plan for 2017 onwards.	Yes	No	<p>We reviewed the Asset Management Plan 2012- 2016. We found that:</p> <ul style="list-style-type: none"> - it linked the property needs to the Council Key priorities, although there is a need for the new Asset Management Plan in preparation to be linked to the Corporate plan 2016-2020 - actions are identified but they are not SMART: they do not have 	Low	The Head of Property will ensure the Asset Management Plan currently under review includes a SMART action plan (with actions that are Specific Measurable Achievable Responsibility-assigned Time-bound) wherever this is practical and demonstrates delivery of	30 March 2018	Mark Shephard

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>target times or responsible officers assigned to them</p> <p>- it provides a management structure for oversight</p> <p>There are risks that the revised Asset Management Plan will not have SMART actions and that therefore action is not timely, complete and cannot be easily reviewed to ensure implementation.</p>		the current Corporate Priorities.		
1.1.2.a	A Property Investment Strategy 2016/17 was developed in November 2016. The Asset Management Plan 2012-2016 includes an Appendix covering Acquisitions and Disposals. The Head of Properties is developing a new Asset Management Plan which will include arrangements for disposal of properties.	Yes	No	<p>We reviewed the Property Investment Strategy 2016/17. We found:</p> <p>- it is designed to deliver a priority from the Corporate Plan: Managing our Resources: Maximising returns from properties and other investments</p> <p>- Although it does not specify how much the Council will invest in property, this was agreed by the Extraordinary Council meeting 21.11.16 which agreed the creation of a Commercial Property Acquisition Fund of £20m</p> <p>- Although it does not provide SMART actions or targets, the Corporate Plan includes targets for</p>	Low	The Head of Property will review and amend the Property Investment Strategy to include a review date and remove the 2016/17 date, when the time spent in this is justified by other changes.	29 September 2017	Mark Shephard

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>rental income for the Head of Property to deliver.</p> <p>- It includes governance arrangements and clear procedures and approach</p> <p>- There are no arrangements for review of the Property Investment Strategy, which is also given the year on the title page: 2016/17.</p> <p>There is a risk this is not kept under review or the date will create the impression it applied only in 2016/17.</p>				
1.1.2.b	A Property Investment Strategy 2016/17 was developed in November 2016. The Asset Management Plan 2012-2016 includes an Appendix covering Acquisitions and Disposals. The Head of Properties is developing a new Asset Management Plan which will include arrangements for disposal of properties.	Yes	No	<p>We reviewed the acquisition and disposal sections of the Asset Management Plan 2012-2016. We found:</p> <p>- Steps for the acquisition and for the disposal of properties are given with Corporate Management / Capital Management oversight and Strategy & Resources Committee approval.</p> <p>- Business cases are required for either</p> <p>- Although there are criteria for acquisition or disposal, these are expressed in terms of general considerations and processes for</p>	Low	The Head of Property will include in the planned revised Asset Management Plan, criteria for decisions on disposals or acquisitions of non-investment properties.	30 March 2018	Mark Shephard

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>approval. There are no clear specific criteria given on which to base a decision. There are no specific processes set out for review of options, assessment of existing portfolio, identification of opportunities to achieve Council objectives.</p> <p>The Property Investment Strategy provides criteria and a process for acquisitions for investment but not for operational properties.</p> <p>There are risks that non-investment properties are not reviewed to ensure they remain fit for purpose and economic, or that non-investment opportunities are not considered. There are risks that non-investment decisions may be made inconsistently or without a strategic view.</p>				
1.1.8.a	Condition surveys have been completed by the Building Surveyor. He consulted with the Facilities Management Service Provider, Kier; the Building Managers and the Capital Accountant. This included prioritisation of work. The cost of all the maintenance work was	Yes	No	<p>Although the Building Surveyor consults relevant managers on the condition survey in the Property Investment Needs spreadsheet, there is no record of what was agreed. The spreadsheet is updated as each item is discussed.</p> <p>As spreadsheet data can be easily over-written, moved or deleted unintentionally, there is a risk that the current information in the</p>	Low	When the Investment Needs are reviewed each year with relevant managers, Property Services will email the managers and officers consulted with the agreed results of consultations for their responsibilities, and ask them to confirm this. The emails with attachments	30 March 2018	Tony Foxwell

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	not affordable for the Council. Only the higher priority items are in the Planned and Preventative Maintenance programme.			Property Investments Needs spreadsheet does not accurately record what was agreed with Kier, the Building Managers or the Capital Accountant. This would mean items that were not agreed could be included or priorities would not be as agreed, making the property maintenance programme inaccurate.		will be saved to provide an audit trail.		
1.1.8.b	Condition surveys have been completed by the Building Surveyor. He consulted with the Facilities Management Service Provider, Kier; the Building Managers and the Capital Accountant. This included prioritisation of work. The cost of all the maintenance work was not affordable for the Council. Only the higher priority items are in the Planned and Preventative Maintenance programme.	Yes	No	<p>We found examples of maintenance items in the Property Investment Needs spreadsheet which had not been prioritised. We tested the properties with maintenance items identified for 2017/18 in the Property Investment Needs spreadsheet. We found:</p> <ul style="list-style-type: none"> - ten items not prioritised, with a total value of £103k - these are not included in the Planned Maintenance Programme 2017/18 <p>Without prioritisation there are risks that repair needs identified in the Property Investment Needs spreadsheet have not been considered in terms of what priority they should have or are wrongly included in or excluded from the Planned Maintenance Programme</p>	Low	The Building Surveyor will ensure the Property Investment Needs spreadsheet is checked for completeness before creating the proposed Planned Maintenance Programme.	30 March 2018	Tony Foxwell

COMMERCIAL PROPERTY ACQUISITIONS - EXECUTIVE SUMMARY

1.1 Background

In common with other Local Authorities Epsom and Ewell Borough Council has developed commercial intentions to invest in property. The rationale for this is to generate income to support local services. The Council moved forward with these plans and initially purchased two properties with a combined value of £19.1m in November 2016 and January 2017

- 70 East Street (£5.5m)
- Parkside House (13.6m)

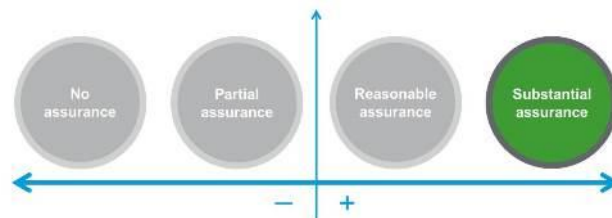
Our review considered the purchase process to ensure that decision making, governance and due diligence arrangements were in accordance with the Council's Property Investment Strategy.

1.2 Conclusion

We have verified that business cases were presented, the proposed purchases were scored in line with the Property Investment Strategy and the decisions were evidenced either in Council minutes or by both the signature and email approval of the members of the Property Investment Group.

Internal audit opinion:

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



1.3 Key findings

The key findings from this review are as follows:

A property investment strategy was adopted in Nov 2016. The strategy aimed to provide a robust and viable framework for the acquisition of commercial property investments. The three underlying objectives of the Strategy were:

- Investment Criteria – to identify suitable property investment opportunities.
- Risk Management – to balance the requirement for income return with an acceptable level of managed risk.
- Governance Arrangements – to provide an agile decision making framework.

We satisfactorily verified that the property investment strategy was approved on 21st Nov 2016 through a meeting of the full Council. This provided for governance arrangements for the acquisition of investment properties, including the establishment of a Property Investment Group with delegated authority to make decisions. The strategy prescribes a scoring Matrix that allows the relative merits of an investment opportunity to be measured and assessed against a target threshold for a range of criteria. There is a weighting applied to each criteria and a score of one to five can be applied for scoring each assessment:

- **Location** - property is categorised as either prime, secondary or tertiary in terms of its locational desirability. For example, a shop located in the best trading position in a town would be prime, whereas a unit on a peripheral neighbourhood shopping parade would be considered tertiary.
- **Tenant Covenant** – the financial strength of a tenant determines the security of the property's rental income. A financially weak tenant increases the likelihood that the property will fall vacant. The minimum acceptable financial strength for any given tenant will be determined through financial appraisal of company accounts and the use of appropriate methods of risk assessment and credit scoring. To minimise management and risk, the preference will be for single occupancy investments wherever possible.
- **Building Quality** – a brand new or recently refurbished building will not usually require capital expenditure for at least 15 years. This is attractive for income investors requiring long term rental income with the minimum of ongoing capital expenditure.
- **Occupational Lease Length** – the lease term will determine the duration of the tenant's contractual obligation to pay rent. The most attractive investments offer a long lease with a strong tenant covenant.
- **Tenure** – anything less than a freehold acquisition will need to be appropriately reflected in the price.
- **Tenant Repair obligations** – under a Full Repairing & Insuring Lease (FRI), the tenant is responsible for the building's interior and exterior maintenance / repair. The obligation is limited to the building's interior under an Internal Repairing & Insuring Lease (IRI). The preference will be to favour FRI terms (or FRI by way of service charge i.e. all costs relating to occupation and repairs are borne by the tenants and administered through a service charge).
- **Lot Size** – to maintain portfolio balance the preference will be for no single property

We reviewed the documentation of the decisions to purchase the two investment properties acquired in 2016/17. We found:

- the decision to purchase 70 East Street was made by the full Council in November 2016.
- the decision to purchase Parkside House was made by the members of the Investment Property Group (IPG) in January 2017. The decision was recorded in minutes of the IPG, signed by members with a decision form signed by members. We satisfactorily checked the weighted matrix calculation of scoring for both properties (86 and 80). The strategy requires a score of at least 60 for acquisitions.

We checked a number of these criteria assessments for factual accuracy. In particular respect of the following criteria assessment for 70 East Street we confirmed that

- There is a Full Repairing & Insuring lease requirement with the Tenant (Criteria level 5 Excellent)
- The occupational Lease length is between 3 and 6 years (Criteria level 3 Acceptable)
- There is a single tenant with a strong financial covenant (Criteria level 5 Excellent)
- The lot size was between £4m and £6m (Criteria level 5 Excellent)

In respect of the Parkside purchase we confirmed that

- There is a Full Repairing & Insuring lease requirement with the Tenant (Criteria level 5 Excellent)
- The occupational Lease length is between 3 and 6 years (Criteria level 3 Acceptable)
- There is a single tenant with a strong financial covenant (Criteria level 5 Excellent)
- The lot size was between £10m and £15m (Criteria level 2 Marginal)

We reviewed in further detail the documentation of the decisions to purchase the two investment properties acquired in 2016/17. We found:

- the decisions were based on a business case, in line with the Property Investment Strategy
- the business cases considered capital costs, revenue costs, potential capital gain (not quantifiable), revenue income
- the business cases showed that borrowing costs would be covered by income, giving a net gain

We satisfactorily verified that the conveyancing transaction for both properties was satisfactorily recorded in the Councils accounting ledger and that routine Land Registry, highway and drainage searches were recorded as being undertaken by the council's legal representatives. We similarly verified that the correct calculation and payment of Stamp Duty Land Tax was included in the final conveyancing transaction payment. In addition the value of the properties as recorded on the conveyancing record accords with that reported to Council Members.

Parkside House - £12,775,000 (Stamp Duty - £628,250) - Total balance payment to Freeths Solicitors (27/1/17) including searches and Fees = £13,404,317.88

64-74 East St Epsom - £5,320,000 (Stamp Duty - £255,500 - Total balance payment to Freeths Solicitors (25/11/16) including searches and Fees = £5,576,8100

In addition, we verified that:

- i) an independent valuation of the property was obtained and that a binding legal contract between the tenants and the Council now exists.
- ii) structural surveys of both properties provided a positive assurance regarding each building's condition and the financial integrity of the current tenants was examined through independent searches.

The business case for the purchase of these properties initially assessed risk within the context of the investment criteria set out in the Council's investment strategy. This examined the strengths, weaknesses and risk associated with each element. In addition to this further risk and SWOT analysis also examined the effect on cash flow and income returns should the tenants activate a break option in their agreements. In this respect, options were identified to continue to maintain income streams from amended building use. Furthermore, we note that an element of the income to be received from these assets will be placed in an earmarked reserve to mitigate any future risk that may arise.

These properties will be owned by Epsom and Ewell Borough Council and as such their income streams will be monitored through the routine budget monitoring and financial reporting framework that exists within the council.

There are no management actions arising as result of this audit.