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Epping Forest District Council

Auditor's Annual Report 2020/21

February 2024

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Key Messages

Audit opinion on the financial statements

We anticipate issuing an unqualified opinion on the Council's financial statements.

The Councils' arrangements to secure Value for Money

Financial Sustainability

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

- The Council generated a deficit on the provision of services of £12.6m versus a deficit of £19.5m in the prior year however on a funding basis the Council achieved a deficit of £0.2m compared to a surplus of £0.9m in the prior year.
 - The Council produces an annual forecast as well as a Medium Term Financial Strategy (MTFS) for 2020/21 to 2024/25 which is reviewed annually. Whilst a balanced budget was in place for 2020/21, the MTFF shows an accumulated budget gap of £3.1m by 2024/25 with the Council seeking to implement measures as part of annual financial planning to address the budget gap for the year.
 - The financial position is reported four times a year and this includes an analysis of the actual expenditure incurred compared to budget.
 - Over the last three financial years, cash balances have remained between £0.6m and £24.7m, before decreasing during 2020/21 to a year end balance of £10.5m. At 31 March 2021, the Council had total reserves of £665.7m, with usable reserves standing at £47.16m, and supporting the Council's overall financial position.
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Governance

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

- The Council has policies in place to facilitate informed decision making. The Constitution is regularly reviewed and provides detail as to the rules and procedures under which the Council operates. It sets out how decisions are made and the rights of citizens to obtain information and influence decisions.
 - The Council utilises an internal audit function which undertakes a risk based programme of work in accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards. They provide an annual audit report and opinion on the framework of governance, risk management and control, highlighting any significant control weaknesses.
 - The Council has a detailed risk management process in place and performed an assessment of the risks of Covid-19 during the year. The Council maintains a Risk Management Strategy and risk register, which are reviewed on a quarterly basis by the Authority. The Cabinet and scrutiny committees hold the Council accountable for the decisions made.
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Improving economy, efficiency and effectiveness

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

- The Council assesses its performance regularly through meetings with the Cabinet and Scrutiny committees. The financial and performance information produced is used at all levels of the Council to identify areas for improvement, addressing any poor performance and sharing good practice to continuously improve.
 - The Council assesses its significant partnerships, service level provision and monitors procurement through various means that allow an improvement to the way in which these are delivered.
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Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at Epping Forest District Council ("the Council") for the year ended 31 March 2021.

This report is intended to bring together the results of our work over the year at the Council, including commentary on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 03, Value for Money, and AGN 07, Auditor Reporting. These are available from the NAO website.

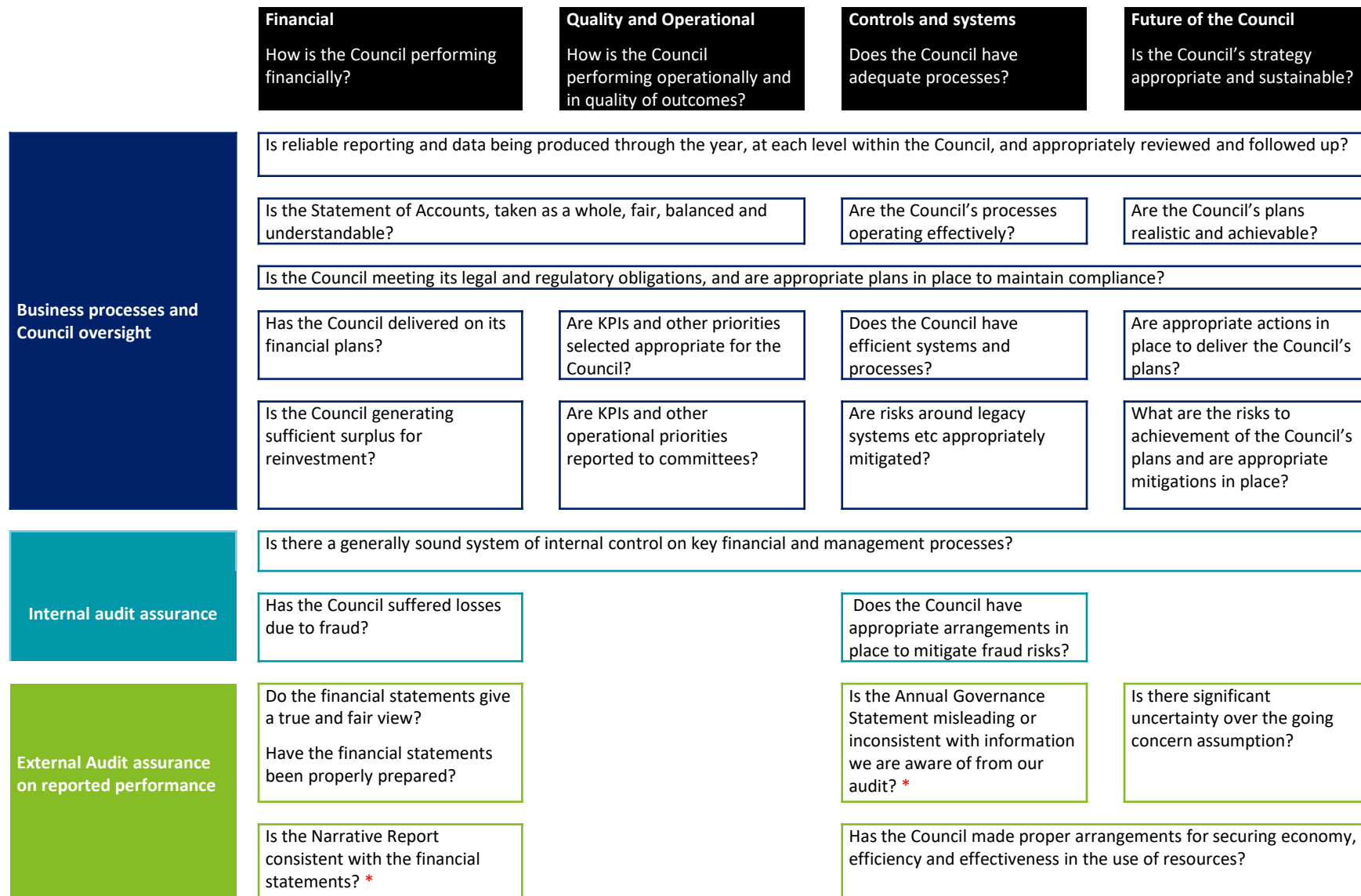
A key element of this report is our commentary on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Council has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Council has in place, nor does it provide positive assurance that the Council is delivering or represents value for money.

Where we find significant weaknesses in the Council's VfM arrangements or areas where arrangements could be further strengthened, we include recommendations setting out what the Council needs to do to strengthen its arrangements.

We have not identified any significant weaknesses in the Council's VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses.

Assurance sources for the Council

The diagram below illustrates how the assurances provided by external audit around finance, quality, controls and systems and the future of the Council (in the green rows) fits with some of the other assurances available over the Council's position and performance.



Opinion on the financial statements

We provide an independent opinion whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council at 31 March 2021 and of the Council's income and expenditure for the year then ended;
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom in 2020/21.

The full opinion is included in the Council's Statement of Accounts, which can be obtained from the Council's website.

We conduct our audit in accordance with the NAO's Code of Audit Practice, International Standards on Auditing (UK) ("ISAs (UK)") and applicable law.

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements: We anticipate issuing an unqualified opinion on the Council's financial statements. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.

Narrative Report: We anticipate reporting that the information given in the Narrative Report for the year ended 31 March 2021 is consistent with the financial statements.

Annual Governance Statement: We did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements set out in the Code of Practice on Local Council Accounting, was misleading, or was inconsistent with information of which we are aware from our audit.

Reports in the public interest and duties as public auditor: We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2021.

Our financial statement audit approach

An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of the Council and the environment it operates in, including internal control, and assessing the risks of material misstatement to the financial statements. Our risk assessment procedures include considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address identified risks of material misstatement.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit director, Mohammed Ramzan. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuations and in relation to local government pension scheme.

Materiality

Our work is planned and performed to detect material misstatements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Council to be £2.1m, on the basis of 2% of planned Gross Expenditure.

We agreed with the Audit and Governance Committee that we would report to the Committee all audit differences in excess of £105k as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Governance Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Procedures for auditing the financial statements

Our audit of the financial statements included:

- developing an understanding of the Council, including its systems, processes, risks, challenges and opportunities and then using this understanding to focus audit procedures on areas where we consider there to be a higher risk of misstatement in the financial statements;
 - performing sample tests on balances in the financial statements to supporting documentary evidence, as well as other analytical procedures, to test the validity, accuracy, completeness and existence of those balances; and
 - interviewing members of the Council's management team and reviewing documentation to test the design and implementation of the Council's internal controls in certain key areas relevant to the financial statements.
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Approach to audit risks

We focused our work on areas where we considered there to be a higher risk of misstatement. We refer to these areas as significant audit risks.

We provided a detailed audit plan to the Council's Audit and Governance Committee setting out what we considered to be the significant audit risks for the Council, together with our planned approach to addressing those risks. We have provided a summary of each of the significant audit risks on the following pages.

Significant risks

Risk of Fraud in Revenue Recognition

Risk identified

Under ISA 240, there is a presumed risk that revenue may be misstated due to improper revenue recognition. Local authorities have a statutory duty to balance their annual budget and are operating in a financially challenged environment with reducing levels of government funding and increasing demand for services. Achievement of budget is critical to minimising the impact and usage of the Council's usable reserves and provides a basis for the following year's budget. Any deficit outturn against the budget is therefore not a desirable outcome for the Council and management, and therefore this desire to achieve budget increases the risk that the financial statements may be materially misstated.

Our judgement is that the significant risk at the Council relates to the recognition of grants with terms and conditions attached, specifically around the new grants received in year relating to Covid-19 where terms and conditions may be less clear and there is no historical basis for the accounting treatment. There is a risk that the Council will recognise the income before the terms and conditions of the Covid-19 grants have been met. There are also a number of grants relating to Covid-19, such as the business rates relief, where management need to determine if they are acting in the capacity of an Agent or Principal.

Deloitte response and challenge

We have completed the following procedures:

- We have tested the design and implementation of key controls in place around the recognition of Covid-19 grant income;
- We have reviewed the accounting treatment of new Covid-19 related grants for 2020/21 to confirm that they have been correctly accounted for as either an Agent or Principal arrangement; and.
- We have tested a sample of grants including the new Covid-related grants to ensure that any terms and conditions were met prior to recognition as income.

Tested the agency arrangement disclosures to confirm, where it is concluded that the Council is acting as an agent, that:

- the transactions have been excluded from the Comprehensive Income and Expenditure Statement;
- the Balance Sheet reflects the debtor or creditor position at 31 March 2021 in respect of cash collected or expenditure incurred on behalf of the principal; and
- the net cash position at 31 March 2021 is included in the financing activities in the Cash Flow Statement.

Conclusion

We have concluded our testing on this area and confirm no material misstatements identified.

Significant risks (continued)

Valuation of property assets

Risk identified

The Council is required to hold property assets within Property, Plant and Equipment ("PPE") and Investment Properties at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.

The Council holds Council Dwellings & Garages, other land & buildings and investment properties at 31 March 2021 which are required to be recorded at current or fair value at the balance sheet date, the significant risk identified therefore applies to these classes of assets.

Valuation of property assets and investment property is an area of audit focus due to the inherent degree of complexity, estimation and potential variability in the valuation methodologies that can be applied.

Deloitte response and challenge

We have completed the following procedures:

- We tested the design and implementation of key controls in place around the property valuation.
- We used our valuation specialists, Deloitte Real Estate, to review the methodology and approach and to challenge the appropriateness of the year-end valuation, focusing on the key subjective inputs.
- Our specialists have also evaluated the methodology applied in and the outcomes of the full valuation of the Council Dwellings category, performed as at 31 March 2021.
- We tested a sample of key asset information used by the Council's valuers in performing their valuation, such as gross internal areas, back to supporting documentation.
- Reviewed assets not subject to valuation in 2020/21 in order to confirm that the remaining asset base is not materially misstated; and
- Reviewed the presentation of revaluation movements, and the disclosures included in the Statement of Accounts.

Conclusion

After concluding our work, we have no matters to bring to the attention of the Audit and Governance Committee.

Significant risks (continued)

Management override of controls

Risk identified

In accordance with ISA 240 (UK and Ireland) management override of controls is a presumed significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Authority's controls for specific transactions.

The key judgments in the financial statements are those which we have selected as significant risk or areas of audit focus; valuation of the Authority's properties and pension liability, accounting for C-19 grants and Capital expenditure. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Deloitte response and challenge

We have considered the overall sensitivity of judgements made in preparation of the Statement of Accounts, and note that:

- The Council's results throughout the year were projecting overspends in operational areas. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and
- Senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Journals

We have performed design and implementation testing of the controls in place for journal approval.

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting.

Significant transactions

- We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.
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Significant risks (continued)

Management override of controls (continued)

Deloitte response and challenge**Accounting estimates**

- We have performed design and implementation testing of the controls over key accounting estimates and judgements.
- The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest as discussed elsewhere in this report.
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.
- We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Conclusion

We have not identified any significant bias in the key judgements made by management.

We have not identified any instances of management override of controls in relation to the specific transactions tested.

Capitalisation of expenditure

Risk identified

The Council has a substantial capital programme, and had budgeted £42.7m for capital works during 2020/21 (2019/20: £49.5m). Key projects include capital component replacement and house building schemes, as well as refurbishment of the Civic Offices and Ongar Leisure Centre.

Determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards.

The Council has greater flexibility of the use of revenue resource compared to capital resource. There is also, therefore a potential incentive for officers to misclassify revenue expenditure as capital as will impact the surplus/deficit recorded by the Council at year end.

Deloitte response and challenge

- We tested the design and implementation of controls around the capitalisation of costs.
- We tested a sample of capital items in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements.

Conclusion

After concluding our work, we have no matters to bring to the attention of the Audit and Governance Committee.

Auditor's work on Value for Money (VfM) arrangements

The section 151 Officer and the Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The section 151 Officer reports on the Council's arrangements, and the effectiveness with which the arrangements are operating as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. Under the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas:

Financial Sustainability	<i>How the body plans and manages its resources to ensure it can continue to deliver its services</i>
Governance	<i>How the body ensures that it makes informed decisions and properly manages its risks</i>
Improving economy, efficiency and effectiveness	<i>How the body uses information about its costs and performance to improve the way it manages and delivers its services</i>

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Council can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the Covid-19 pandemic, there have been changes in nationally led processes, changes in expectations around Council's arrangements, and events occurring outside of the Council's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2020/21 in assessing whether they are indicative of a risk of significant weakness.

In addition to our financial statement audit, we performed a range of procedures to inform our VfM commentary, including:



Interviews with key stakeholders, including Service Director –Strategy, Delivery and Performance, Monitoring Officer, Director of Strategy, Chair of the Audit and Governance Committee and Head of Internal Audit.



Review of Council and committee reports and attendance at Audit and Governance Committee meetings.



Reviewing reports from third parties including internal audit reports.



Considering the findings from our audit work on the financial statements.

Review of the Council's Annual Governance Statement and Narrative Report.

VfM arrangements: Financial Sustainability

Approach and considerations

We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

Commentary

The Council reported a deficit on the provision of services of £12.6m versus a deficit of £19.5m in the prior year. This is before adjustments between the accounting and the funding basis. For the final revenue outturn the Council achieved a net deficit of £0.2m compared to a net surplus of £0.9m in the prior year. The current year deficit is mainly driven by the impacts of COVID-19 which resulted in significant increases in expenditure for the Council in supporting residents and local businesses but these were offset by significant increases in financial support from Government. In addition, there has been an increase in financing expenditure for the current year and an increase in the overall borrowings for the year.

At 31 March 2021, the Council had net asset of £665.7m (31 March 2020: £650.4m) and cash of £10.4m (31 March 2020: £24.7m), the main reason for the reduction was due to an increase in funds used to finance service expenditure. At 31 March 2021, the Council had total reserves of £665.7m, which included usable reserves of £47.16m which supports the Council's overall financial position and £42.8m usable reserves in the prior year.

The Council's annual planning process and processes around identification of significant pressures were significantly impacted by the Covid-19 pandemic. The Council adapted its arrangements to respond and they were in line with our expectation in the current operating environment.

There has been varied impact of the Covid-19 pandemic on the operations of the Council and planned delivery of its capital programme, with additional Covid-19 grant income being received during the year. The Council has reviewed the additional costs of Covid-19 and utilised the additional grant funding received to support the delivery of services.

The Authority has a balanced MTFs for 2020/21 to 2024/25 which includes an accumulated funding gap of £3.1m in 2024/25. In preparing the 2020/21 budget, the Authority performed a full review of the base budget due to the significant changes that had occurred over the previous two years. This involved reviewing both the internal and external environments to ensure that all financial pressures were identified and factored in to the budget.

The formally adopted Corporate Plan (2018-2023) is the overarching document that drives Council Strategy. It links the key external drivers influencing Council services, with a set of corporate aims and objectives, grouped under three corporate ambitions: Stronger Communities, Stronger Place; and Stronger Council.

VfM arrangements: Financial Sustainability

Approach and considerations	Commentary
<p>We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including:</p> <ul style="list-style-type: none">• How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;• How the Council plans to bridge its funding gaps and identifies achievable savings;• How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;• How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and• How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.	<p>The Council's MTFs provides the framework within which revenue and capital spending decisions can be made over the medium term. It is reviewed and updated on an annual basis to take into account any alterations that may be required as a result of the changed circumstances.</p> <p>The 2020/21 budget is linked to the Councils objectives and Financial Planning Framework (FPR) and has been prepared to ensure the Authority has sufficient resources to deliver services.</p> <p>To address funding gaps, the Authority anticipates an increasing revenue contribution from its subsidiary 'Qualis Group' over the medium-term as developments come to fruition. However, it is recognised by the Senior Leadership Team (SLT) and Cabinet that the returns from Qualis alone are unlikely to be sufficient to address the emerging gaps given their scale. Therefore, the Council is also reliant on higher levels of income generation and cost saving initiatives such as expenditure cuts, as well as commercial and rental property income to underpin the budget and assist in the provision of local services. Future options under consideration by the Council include increasing car parking charges, Council Tax and extra income received for eligible services delivered to the Housing Revenue Account.</p> <p>The Council undertakes detailed budget monitoring on a monthly basis and provides reports to Cabinet on a quarterly basis which includes a review of the actual outturn position against the budget, and details any significant variances. This regular review also allows the Council to identify any changes in demand throughout the year.</p> <p>The Council has a revised Financial Planning Framework (FPR) introduced in 2020, which aims to provide effective scrutiny on both the revenue (General Fund and HRA) and capital positions on a rolling basis.</p> <p>The FPR sets out the process for development and approval of a balanced budget on an annual basis. The annual budget is set to carry out the priorities of the Corporate plan. The Corporate Plan is cascaded at a Service Level through individual Service Plans (that reflect statutory priorities where appropriate), which – in turn – inform the Financial Planning process (including the maintenance of the rolling five-year Medium-Term Financial Plan, the annual budget process and the Capital Programme).</p>

VfM arrangements: Governance

Approach and considerations

Commentary

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

The key document in the budgeting process is a 5-year rolling Medium-Term Financial Plan (MTFP). Its primary purpose is to outline the Councils approach, desire and commitment to achieving financial sustainability by embracing the area's economic potential, growing the Councils local tax base and increase sustainable income capabilities.

The Council recognises that robust risk management processes are essential to effectively maintain financial resilience. A Risk Management Strategy (RMS) is in place to identify and evaluate risks. The Council has a Risk Management Group and a Corporate Governance group to assist in this regard. This sets out that the S151 Officer has strategic responsibility for risk management and the Chair of the Audit and Governance Committee fulfils the role of Lead Member for risk management. The RMS sets out the role of others with regards to risk management including Directors, Service Managers, Members, Internal Audit and staff. The risks identified are allocated to an owner to ensure monitoring and implementation of mitigating actions. Due to the Covid-19 pandemic, the risk register was reviewed and risks identified relating to the pandemic added.

The Council also has a Counter Fraud and Investigations Team that has a work plan to enhance awareness of the risk of fraud, to prevent and detect fraud and that will receive and investigate allegations of fraud or impropriety.

The Counter Fraud and Investigation Team reports the delivery of that plan and an outline of the investigations that have been undertaken to the Audit and Governance Committee on a quarterly basis.

The Audit and Governance Committee reviews the adequacy of risk management arrangements and has oversight of the Council's system of internal control, including arrangements to prevent and detect fraud. The Council has a series of policies covering internal controls, including a whistleblowing and anti-money laundering policy. These policies are readily available for all staff to review on the Council's website. The Audit and Governance Committee approves the annual Internal Audit Plan and receives updates at committee meetings through the year.

VfM arrangements: Governance

Approach and considerations

Commentary

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

The internal audit function are required to provide independent, objective assurance and designed to add value to and improve operations. Internal audit undertake reviews of risk management which are reported to Audit and Governance Committee meetings and approved by Cabinet. The Council received one limited assurance report from internal audit during 20/21 relating to contract management. Subsequently, follow-up undertaken by Internal audit, has provided assurance on progress and that this does not represent a significant risk of weakness.

The Head of Internal Audit opinion for the year provided “Reasonable Assurance” that there is a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

The Council undertakes detailed budget monitoring on a monthly basis and provides reports to Cabinet and Overview and Scrutiny Committees on a quarterly basis which includes a review of the actual outturn position against the budget, and details any significant variances.

Current year performance is evaluated with notable variances explained to determine any ongoing impact. The budget seeks to explain year on year movements and any pressures are identified. There is a clear process in place to set the annual budget and this is approved by the Council on a timely basis.

The Council produces a quarterly performance report which includes a review of the actual outturn position against the budget, and details any significant variances. This is reported to the Authority quarterly, which ensures there is sufficient oversight of the budget monitoring process. The report also includes non-financial information and reports on progress against the Councils strategic objectives.

We have reviewed the Annual Governance Statement and confirmed that no significant control weaknesses were identified which is consistent with our work performed.

VfM arrangements: Governance

Approach and considerations

Commentary

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Members receive regular training on the arrangements and procedures in the Constitution, which includes a requirement to declare Interests, Gifts & Hospitality (a record is kept of such declarations and is publicly available on the Council website). Members are asked to review and update their declarations annually. All Members are required to sign up to a Councillor Code of Conduct when elected. There is a Complaints Procedure for complaints against Members that may have breached the Code of Conduct. There is also a Staff Code of Conduct. Staff induction and training advises of the requirements regarding meetings and Gifts & Hospitality

The Council has a Standards Committee who hear complaints regarding the Councillor Code of Conduct that cannot be resolved informally by the Monitoring Officer.

There is a Corporate Governance Group which meets monthly and is chaired by the Chief Executive to review the Council's governance arrangements.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations:

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

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

Commentary

The performance of individual service areas is evaluated by means of – either monthly or weekly – Key Performance Indicators (KPIs). An off target KPI (either Red or Amber) is flagged for discussion at monthly team meetings with service directors, project officers and other relevant stakeholders. Necessary interventions are made to address issues raised and understand why something is impeding performance, with progress reported back up through the Performance Management System. The Council assesses its performance through quarterly Performance and Finance Monitoring Reports which is reported to Cabinet. There is also Quarterly Budget Monitoring process in place which ensures that both revenue and capital net spending is controlled and reported through a rolling forecast that goes through scrutiny and Cabinet process.

The Cabinet committee is also the basis for challenging management as well as identifying emerging risks; this allows financial plans to align as smoothly as possible with emerging financial challenges and therefore maintain financial sustainability and identify areas for improvement

The Authority set-up an arms-length trading company (Qualis) during 2019/20 and this became fully operational during 2020/21. Qualis is part of the Council's long-term financial sustainability strategy and an enabler in delivering its economic development and regeneration ambitions. The scale of operations expanded significantly in 2020/21 following the transfer (in October 2020) of the Council's Housing Repairs service. The performance of Qualis is routinely scrutinised and reported to Cabinet.

The Council is engaged in partnerships with a range of stakeholders. This includes commercial partnership arrangements with the private sector for the delivery of Leisure and Waste Management services, through to discharging its responsibilities in areas such as Housing, Health and Wellbeing with other public bodies, including the third sector. Some examples include: Rough Sleepers – EFDC (along with four other local authorities) is part of an Essex County Council led consortium which enables the efficient delivery of support services to rough sleepers. A set of agreed Performance (and risk) Indicators are monitored as part of monthly meetings.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations:

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

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

Commentary

Health and Wellbeing – EFDC facilitates the multi-agency Epping Forest Health & Wellbeing Board (EFHWB), which is the vehicle that strategically determines priorities to address health inequalities and wellbeing across the district. Terms of Reference are in place and the Board closely monitors performance against expectations via reporting templates submitted by the designated thematic Action Groups.

The EFDC CEO sits on the Essex Health & Wellbeing Board as one of two designated LA leads (linking directly with the EFHWB Strategy); and

EFDC is also part of the West Essex Children’s Partnership Board and facilitates the local partnership Advisory Board monitoring the performance of the Essex Child & Family Wellbeing service across the district.

The Council has an overarching Procurement Strategy that was updated in January 2021 to signal its commitment to ensuring that Procurement effectively contributes to the Council’s overall objectives and achieves Value for Money through its contracts.

The Council also has a detailed set of Procurement Rules which were also updated in January 2021 to help ensure compliance with relevant legislation.

A Procurement and Contracts Working Party, chaired by the Team Manager for Procurement and Contract Development has been established and meets to discuss how the Procurement Rules and Strategy are working and to discuss best practice for elements such as Contract Management, Social Value and Sustainability in Procurement.

Based on the above, we have not identified any significant weaknesses in the Councils arrangements to improve economy, efficiency and effectiveness.



Appendices

Appendix 1: Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Council's arrangements.

What we don't report

Our audit was not designed to identify all matters that may be relevant to the Audit and Governance Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Deloitte LLP

Birmingham, February 2024

Appendix 2: Council's responsibilities

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

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

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

The section 151 Officer of the Council, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting.

In preparing the Statement of Accounts the section 151 Officer is required to select suitable accounting policies and make judgements and estimates that are reasonable and prudent. The section 151 Officer is required to confirm that the Statement of Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for Council Tax payers, regulators and stakeholders to assess the Council's performance, business model and strategy.

The section 151 Officer is required to comply with the CIPFA Code of Practice and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the section 151 Officer has applied the 'continuing provision of services' approach set out in the CIPFA code of practice as it is anticipated that the services the Council provides will continue into the future.

The section 151 Officer and Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Council's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Council, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Appendix 3: Auditor's responsibilities

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Auditor's responsibilities relating to the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in April 2021, as to whether the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Council a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Other findings from our work, including our commentary on the Council's arrangements, are reported in our Auditor's Annual Report.

Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Council, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Council or an officer of the Council is:
 - about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure; or
 - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; and
- consider whether to issue a report in the public interest.



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