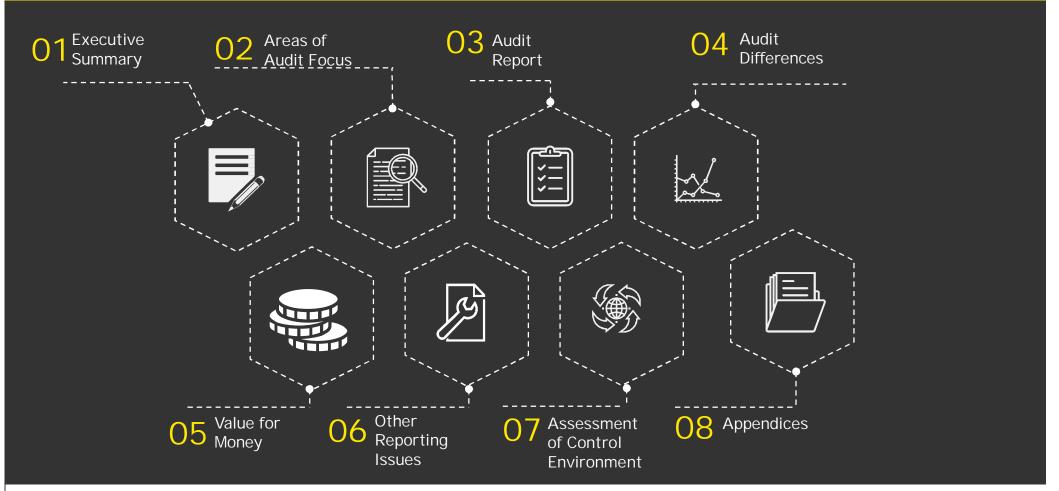


Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee, other members of the Authority and management of Castle Point Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Risk Committee, other members of the Authority and management of Castle Point Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, other members of the Authority and management of Castle Point Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.





Overview of the audit

Scope and materiality

In our Audit Plan presented to the 30 March 2017 Audit Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £0.92 million. We reassessed this using the actual year-end figures, however there was no change to this amount. The threshold for reporting audit differences is £46,000. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits. Our audit strategy was to check the bandings reported in notes 7 and 8 of the financial statements, test the completeness of the disclosure and make sure that the disclosure was compliant with the Code. We sample checked transactions back to the payroll system and supporting documentation. No issues have been noted.
- Related party transactions. Our audit strategy was to obtain and review declarations from senior officers
 and members of the Council for any material disclosures and make sure that the disclosure in note 6
 was compliant with the Code. We carried out a sample check of Companies House searches on
 contracts from the Council's contract register to identify whether any key decision-makers in the
 Council had an interest in the company. We carried out a sample check of Companies House searches
 between decision-makers in the Council and companies to which they were linked, to test the
 completeness of the disclosure.

We obtained confirmation that there were no related party transactions within the declarations made by Member's at committee meetings they attended. No issues have been noted.

• Members' allowances. Our audit strategy was to test the completeness of the disclosure and make sure that the disclosure was compliant with the Code by sample checking transactions back to the payroll system and the Council's Constitution. No issues have been noted.



Executive summary (continued)

Status of the audit

We have substantially completed our audit of Castle Point Borough Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- · PPE valuation testing
- · Completion of subsequent events review
- · Completion of final review procedures by the Executive Director
- Receive and review the signed accounts and letter of representation
- Completion of Procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

We expect to issue the audit certificate at the same time as the audit opinion.

Status of the audit (continued)

We are yet to complete our work on the Whole of Government Accounts (WGA) return. However, as the authority is under the £350 million threshold for detailed procedures, no significant testing is required.

The audit certificate is issued to demonstrate that the full requirements of the NAO Code of Audit Practice (the Code) have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.



Audit differences

At the time of writing this report there is one identified unadjusted difference in the draft financial statements, and one difference in judgement.

The unadjusted difference was identified by management of Castle Point Borough Council who brought this to the attention of the audit team, and management have chosen not to adjust for this difference. We ask that this be corrected or a rationale as to why they are not corrected be approved by the Audit Committee and included in the Letter of Representation. Details can be found in Section 4 Audit Differences.

The difference in judgement is between our internal property valuation specialists and the Castle Point Borough Council management specialist over the valuation of property using depreciated replacement cost. The management specialist valuation exceeds our expected range by £2 million. We are working with management to reach a consensus on valuation. This process is still ongoing.

There are no corrected misstatements that we wish to bring to your attention. We have identified one disclosure adjustments during the audit which has been corrected by management in the revised financial statements subject to approval. This is set out in Section 4.



Executive summary (continued)

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Castle Point Borough Council's financial statements. This report sets out our observations and conclusions of these matters, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- · There are no other considerations or matters that could have an impact on these issues
- · You agree with the resolution of the issue
- · There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified the following significant risk - Sustainable Resource deployment: Achievement of savings needed over the medium term (see section 5 of this report).

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive summary (continued)

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will update the Audit Committee should we have any matters to report.

We have no other matters to report.

Control observations

We have adopted a fully substantive approach, and so have not tested the operation of controls. We have, however, updated our understanding of key processes and the controls which are in place to detect or prevent error. Through this work, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

Please refer to Appendix B for our update on Independence. We have no independence issues to highlight.





Audit issues and approach: Key issue: Revenue Recognition

Revenue Recognition

What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.

What is the risk?

Risk of fraud in revenue recognition
Under ISA240 there is a presumed risk that revenue
may be misstated due to improper recognition of
revenue. In the public sector this requirement is
modified by Practice Note 10, issued by the Financial
Reporting Council, which states that auditors should
also consider the risk that material misstatements may
occur by manipulating expenditure recognition. For
local authorities, the potential for the incorrect
classification of revenue spend as capital is a particular
area where there is a risk of fraud in revenue
recognition.

What did we do?

Our audit approach focussed on:

• Reviewing capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.



Audit issues and approach: Key issue: Management Override

Management override

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business

What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements. We obtained a full list of journals posted to the general ledger during the year and using our data analytics tool confirmed the completeness of the population and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation;
- We reviewed accounting estimates for evidence of management bias; and
- We evaluated the business rationale for any significant unusual transactions.





Audit issues and approach: Key issue: Financial Statement Presentation

Financial Statement Presentation - CIES and EFA

What are our conclusions?

We have not identified any material misstatements from our work on the Expenditure and Funding Analysis. The disclosures are deemed to be compliant with the code of practice.

We have not identified any instances of inappropriate judgements being applied. The Expenditure and Funding Analysis reflects the Council's organisational structure.

The restated comparative figures have been agreed back to the Council's segmental analysis and supporting working papers with no material issues noted.

What is the risk?

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 changing the way the financial statements are presented. The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The service analysis should be based on the organisational structure under which the Council operates. We expected this to reflect the Council's segmental analysis. This change in the code required a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements.

What did we do?

- Reviewing the Expenditure and Funding Analysis, the restated CIES and new notes to ensure disclosures are in line with the Code of Practice;
- Reviewing the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported; and
- Agreeing the restated comparative figures back to the Council's segmental analysis and supporting working papers.

Audit issues and approach: Other financial statement risks

Property valuation

What are our conclusions?

Following full consideration of their work, we have placed reliance on the Council's expert valuer.

We identified one issue in relation to the valuation of the Council's Property, Plant and equipment, which are reported in a separate section below.

What is the risk?

The Council undertakes an annual exercise to revalue property assets. The valuation of these assets represents a significant accounting estimate give that the value of properties involved was over £140m at 31 March 2016.

The accounting entries arising from changes in value have a significant impact on the Council's financial statements. We will undertake specific testing to address the risk that the accounting estimate could be materially misstated

What did we do?

- assessing the reliability of management's experts; and
- reliance on management's valuation experts. This included comparison to industry trends and reliance on our own valuation experts where significant unexplained variations were identified; and
- testing of the accounting treatment of valuations made in the year, including the assessment and treatment of impairments.



Audit issues and approach: Other financial statement risks

Pensions valuations and disclosures

What are our conclusions?

Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable.

The sensitivities surrounding these assumptions have been correctly disclosed within the relevant notes to the financial statements.

However, we have one matter to report regarding the methodologies used by the actuary, which are reported in a separate section below.

What is the risk?

The Council annually updates the pension liability shown on the balance sheet (£36.2 million at 31/03/16) and reflects the costs that it incurs as an employer with staff in the Essex County Council Pension Fund.

The amounts for the liability and service costs are provided by actuaries engaged by the Pension Fund. These amounts are a significant accounting estimate. We will undertake specific testing to address the risk that the accounting estimate could be materially misstated

What did we do?

- liaising with the auditors of Essex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Castle Point Borough Council;
- assessing the conclusions drawn on the work of the actuary by the consulting actuary commissioned by Public Sector Audit Appointments; and
- reviewing and testing the accounting entries and disclosures made in relation to IAS19.



Audit issues and approach: Reliance on experts

Reliance on experts highlighted in the Audit Plan

We identified two areas in our Audit Plan where we place reliance on experts.

In accordance with Auditing Standards, we have evaluated each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We have also considered the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. As part of this work we have performed the following procedures:

- Analysed source data and make inquiries as to the procedures used by the expert to establish whether the source date is relevant and reliable;
- Assessed the reasonableness of the assumptions and methods used;
- Considered the appropriateness of the timing of when the specialist carried out the work; and
- Assessed whether the substance of the specialist's findings are properly reflected in the financial statements.

We set out our findings in relation to the two specialists we have relied on below.

Pension disclosures

We have assessed and are satisfied with the competency and objectivity of the Council's actuary, Barnett Waddingham. EY pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate. We have noted that PWC as part of their central review have reported that the discount rate applied by Barnett Waddingham falls outside the top end of their expected range. Our EY pensions team agree with this conclusion. Whilst we have sufficient assurance over the material accuracy of the Council's pensions disclosures, we judge that the methodologies used by Barnett Waddingham to derive the discount rate and RPI inflation assumptions in their calculation of the Local Government Pension Scheme valuation are not robust. In our view they do not take adequate account of the specific duration of the scheme's liabilities. In future years, this could potentially lead to unacceptable assumptions.

Property valuations

We have assessed and are satisfied with the competency and objectivity of the Council's external valuer Wilkes, Head and Eve (WHE).

We have undertaken appropriate audit procedures to verify and critically challenge the basis of valuation adopted by the valuer in relation to the Council's property, we have engaged our EY estates expert valuation team, focusing in particular on specialist assets which are valued on a depreciated replacement costs (DRC) basis.

Our work in this identified one misstatement:

• Two DRC valuations that the EY estates team reviewed were outside of our acceptable range indicating that in our judgement they had been overvalued by WHE We have therefore undertaken additional audit work to assess the potential impact of this issue. Our work in this area is still ongoing, however we would like to make it clear that the result of this will have no impact on the Council's General Fund Balance or the Comprehensive Income and Expenditure Statement.





Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASTLE POINT BOROUGH COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Castle Point Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- · Authority Movement in Reserves Statement,
- · Authority Comprehensive Income and Expenditure Statement,
- · Authority Balance Sheet,
- Authority Cash Flow Statement,
- · Related notes 1 to 22, and the Expenditure and Funding Analysis
- · Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 4, and
- Collection Fund and the related notes 1 and 2.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Castle Point Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Resources (Section 151) Officer and auditor

As explained more fully in the Statement of Responsibilities set out on page 18, the Head of Resources (Section 151) Officer is responsible for the preparation of the Annual Financial Report 2016/17, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



Draft audit report (continued)

Our opinion on the financial statements

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Resources (Section 151) Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Castle Point Borough Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- · in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Draft audit report (continued)

Our opinion on the financial statements

Conclusion on Castle Point Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

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

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Castle Point Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Controller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Castle Point Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Castle Point Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Castle Point Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.



Draft audit report (continued)

Certificate

We certify that we have completed the audit of the accounts of Castle Point Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Kevin Suter (senior statutory auditor) for and on behalf of Ernst & Young LLP, Appointed Auditor Luton XX September 2017

The maintenance and integrity of the Castle Point Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Audit differences

In any audit, we may identify misstatements between amounts we believe <u>should</u> be recorded in the financial statements and disclosures and amounts <u>actually</u> recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of audit differences

There are no corrected misstatements that we wish to bring to your attention. We have identified one disclosure adjustments during the audit that has been updated by management in the financial statements. We do not deem this to be so significant that they require reporting to you.

At the time of writing this report there is one identified uncorrected misstatement, and one difference of judgement which we have summarised below.

The uncorrected misstatement was identified by management of Castle Point Borough Council who informed the audit team of this difference.

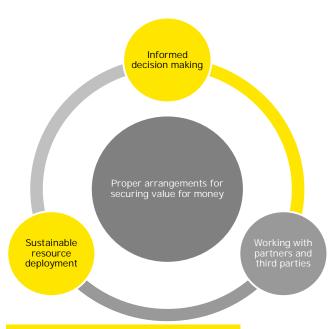
The difference in judgement is between our internal property valuation specialists and the Councils property valuation specialists, summarised below.

These are the only known differences greater than £46,000 relating to Castle Point Borough Council. We ask you to correct the uncorrected misstatements or give a rationale as to why they have not been corrected. This should be considered and approved by the Audit Committee and included in the Letter of Representation:

- 1. Over-accruals on HRA revenue (£69k) and HRA capital (£51k) in the 16/17 accounts, arising from information subsequently found to be inaccurate, provided to Castle Point Borough Council by a third party, this would result in corresponding overstatement of £120k within payables.
- 2. Over valuation of two depreciated replacement cost assets, these exceed our expected range by £2 million. The impact is to overstate property plant and equipment by £2 million and a corresponding overstatement of the revaluation reserve.



Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

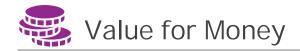
- take informed decisions;
- · deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We identified one significant risk around the deployment of resources in a sustainable manner. The tables below present our findings in response to the risk in our Audit Plan.

In summary, the Council is facing up to the challenge of its future budget gaps, with initiatives such as the development of Runnymede pool. Therefore, we conclude that appropriate arrangements are in place to effectively manage this risk.



VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as: "A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public" Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risk identified in our Audit Plan.

What is the significant VFM risk?	What arrangements did this affect?	What are our findings?
The Council faces significant financial challenges. Efficiency savings, cost reductions and additional income are required over the forthcoming periods of: • 2018/19, £0.5m • 2019/20, £1m Given the scale of the savings needed there is a risk that savings plans to bridge the gap are not robust and/or achievable	Deploying resources in a sustainable manner	The Council recognises it faces unprecedented financial pressures and that a fundamental change is required to the way it operates in order to future proof the Council operations. The Council has put in place a robust and detailed strategy to address the budget gap. Investment has been made on the Runnymede Pool site and the projected returnare encouraging.
In response to this risk our approach focussed on the following:		The Council's budget setting process is deemed to be robus and detailed, with sensibly prudent assumptions applied tuncertain income streams and future expenditure.
 The robustness of any assumptions used in the 2016-17 annual budget and medium term planning. The councils progress in identifying sources of savings and additional income to reduce the 2018-19 and 2019-20 budget gaps The adequacy of future levels of reserves 		The Council is aware of the risks related to reductions in government funding including the New Homes Bonus (NHB). In response to this risk sensible assumptions are made within the budget, regarding the trajectory of government funding ir general and the NHB specifically, and the reserve levels set are reflective of this risk.
		The Council has built up a level of reserves that could be used to assist the transformation if necessary and could also be used to give the Council time to put in place alternative plans to achieve these savings.





Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Castle Point Borough Council Statement of Accounts 2016/17 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We found that the financial information in the Castle Point Borough Council Statement of Accounts 2016/17 and published with the financial statements was consistent with the audited financial statement.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information that we are aware of from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

We are yet to complete our work on the Whole of Government Accounts (WGA) return. However, the authority falls below the £350 million threshold for any detailed audit procedures.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.



Other reporting issues

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of Castle Point Borough Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- · Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- · Going concern;
- · Consideration of laws and regulations; and
- Group audits

No issues have been identified.





07

Assessment of Control Environment

Assessment of Control Environment

Assessment of control environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



Appendix B

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:

		Ur Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	This was documented in our Audit Plan report which was presented to the Audit Committee on 30 March 2017.
Significant findings from the audit	 Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Any significant difficulties encountered during the audit Any significant matters arising from the audit that were discussed with management Written representations we have requested Expected modifications to the audit report Any other matters significant to overseeing the financial reporting process 	This is documented within this report presented to the Audit Committee on 18 September 2017.
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Castle Point Borough Council's ability to continue for the 12 months from the date of our report.



		Our Reporting to you
Required communications	What is reported?	When and where
Misstatements	 Uncorrected misstatements and their effect on our audit opinion The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Significant corrected misstatements, in writing 	One uncorrected misstatement included within this report presented to the Audit Committee on 18 September 2017.
Fraud	 Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. A discussion of any other matters related to fraud, relevant to Audit Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, where applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and/or regulations ► Difficulty in identifying the party that ultimately controls the entity	This is documented within this report presented to the Audit Committee on 18 September 2017.
Subsequent events	Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements.	We have no matters to report.
Other information	Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.	We have no matters to report.
External confirmations	 Management's refusal for us to request confirmations We were unable to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations.



		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and/or regulations	 Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit Committee. 	We have asked management and those charged with governance. We have not identified any material instances or noncompliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	► Significant deficiencies in internal controls identified during the audit.	This is documented within this report presented to the Audit Committee on 18 September 2017.
Independence	Communication of all significant facts and matters that have a bearing on EY's objectivity and independence. Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information on the firm's general policies and processes for maintaining objectivity and independence Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,	This was documented in our Audit Plan report which was presented to the Audit Committee on 30 March 2017. It is also documented within this report presented to the Audit Committee on 18 September 2017.
Fee Reporting	Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work	This was documented in our Audit Plan report which was presented to the Audit Committee on 30 March 2017. It is also documented within this report presented to the Audit Committee on 18 September 2017.
Certification work	Summary of certification work	Annual Certification Report



Appendix B

Independence



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 30 March 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we have not undertaken any non-audit work for the Council.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 18 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

Description	Final Fee 2016/17	Planned Fee 2016/17	Outturn Fee 2015/16
Total Audit Fee - Code work	56,265	56,265	56,265
Certification of housing benefit subsidy claim *	20,935	20,935	21,801

^{* 2016/17} certification of housing benefit subsidy claim is to be completed, and the final fee will be subject to approval by the PSAA.



Appendix C

Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Castle Point Borough Council
IFRS 9 Financial Instruments	 Applicable for local authority accounts from the 2018/19 financial year and will change: How financial assets are classified and measured How the impairment of financial assets are calculated Financial hedge accounting The disclosure requirements for financial assets. Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact. 	Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to: Reclassify existing financial instrument assets; Re-measure and recalculate potential impairments of those assets; and Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	 Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except: Leases; Financial instruments; Insurance contracts; and for local authorities; Council Tax and NDR income. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be. 	As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to: • Disaggregate revenue into appropriate categories; • Identify relevant performance obligations and allocate income to each; and • Summarise significant judgements.



Appendix C

IFRS 16 Leases

IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.

Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.

There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.

Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.

However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.

Management representation letter

Management Representation Letter

This letter of representations is provided in connection with your audit of the financial statements of Castle Point Borough Council for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the council financial statements give a true and fair view of the Council financial position of Castle Point Borough Council as of 31 March 2017 and of its financial performance and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

- 1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
- 2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the council financial statements.
- 3. The significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.
- 4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 for the Council that are free from material misstatement, whether due to fraud or error.

Management representation letter

Management Representation Letter

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the council financial statements. [Add exaplanation]

B. Fraud

- 1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 2. We have disclosed to you the results of our assessment of the risk that the council financial statements may be materially misstated as a result of fraud.
- 3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.
- C. Compliance with Laws and Regulations
- 1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the council financial statements.
- D. Information Provided and Completeness of Information and Transactions
- 1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Management representation letter

- 2. All material transactions have been recorded in the accounting records and are reflected in the council financial statements.
- 3. We have made available to you all minutes of the meetings of the Council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 18 September 2017.
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the council financial statements.
- 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

- All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
- We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

Management representation letter

Management Representation Letter

F. Subsequent Events

There have been no events subsequent to year end which require adjustment of or disclosure in the council financial statements or notes thereto.

G. Other information

- 1. We acknowledge our responsibility for the preparation of the other information in the Narrative Report and the Annual Governance Statement
- We confirm that the content contained within the other information is consistent with the financial statements.

H. Ownership of Assets

- 1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheets.
- 2. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

I. Reserves

1. We have properly recorded or disclosed in the council financial statements the useable and unusable reserves.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the Property Valuations, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.



Management representation letter

Management Representation Letter

K. Accounting Estimates (property, plant and equipment and pensions valuations)

- 1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
- 2. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
- 3. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

L. Retirement benefits

Yours faithfully,

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Head of Resources (Section	151
Chairman of the Audit Comm	nitte

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