



Council Offices, Kiln Road,
Thundersley, Benfleet,
Essex SS7 1TF.
Tel. No: 01268 882200
Fax No: 01268 882455



David Marchant LLB (Hons) BSc (Hons) CEng FICE FCMI
Chief Executive

AGENDA

Committee:	AUDIT
Date and Time:	Monday 19th September 2016 at 7.30 p.m.
Venue:	Committee Room 1
Membership:	Councillors Ladzrie (Chairman), Blackwell, May, Sheldon and Mrs Wass. Substitutes: Councillors Acott, Greig, MacLean and Stanley
Officers attending:	Ian Stapleton, Financial Services Manager Craig Watts, Head of Performance and Service Support Linda Everard, Head of Internal Audit
Also attending	Martina Lee, Manager, EY Kevin Suter, Executive Director, EY
Enquiries:	John Riley, Ext. 2417

PART I **(Business to be taken in public)**

- 1. Apologies**
- 2. Members' Interests**
- 3. Minutes**
A copy of the Minutes of the meeting held on 28.6.2016 is attached and action points arising.
- 4. Counter Fraud & Investigation Directorate Plan 2016/17**
Report of the Group Counter Fraud & Investigation Manager is attached.
- 5. EY Audit Results Report (UK and Ireland) 260 for the year ended 31 March 2016**
Report of the External Auditor is attached
- 6. Monitoring Report – Corporate Governance Arrangements**
Report of the Head of Performance and Service Support is attached.

- 7. Treasury Management Mid Year Report**
Report of the Financial Services Manager is attached.
- 8. Internal Audit Quarterly Performance Report**
Report of the Head of Internal Audit is attached.

Current Information Items (standing item)

CIPFA Better Governance Forum, Audit Committee Update, Helping Audit Committees to be Effective, Issue 20: CIPFA Survey on Audit Committees 2016

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AUDIT COMMITTEE

28th JUNE 2016

PRESENT: Councillors Ladzrie (Chairman), Acott, May and Mrs Wass.

Councillors Hart and Riley also attended.

Head of Performance and Service Support, Craig Watts, Head of Internal Audit, Linda Everard, Head of Resources, Chris Mills, and Dan Bonner representing Mazzars, were also present.

Apologies for absence were received from Councillors Blackwell (Councillor Acott substituting) and Greig (substitute).

Apologies had also been received from External Auditors Kevin Suter and Martina Lee.

1. MEMBERS' INTERESTS

There were no disclosures of interest.

2. MINUTES

The Minutes of the meeting held on 21st March 2016 were taken as read and signed as correct.

3. INTERNAL AUDIT, QUARTERLY PERFORMANCE REPORT

A progress report on summary results of audit reviews completed in 2015/16 was presented to the Committee.

Audit opinion and themes were attached at Appendix A.

During a discussion on the audit of complaints, Members noted that a procedure for dealing with and recording complaints about Third Party Contractors would be integrated into the Council's processes. Members questioned the security and access arrangements to the complaints database and received assurances that appropriate storage and control mechanisms were in place.

Following discussion it was:-

Resolved - That the Audit Committee notes the assurance provided by the audit work completed this quarter.

4. ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2015/16

The Committee was informed that the annual treasury report was a requirement of the Council's reporting procedures. The report met the requirements of both the CIPFA Code of Practice for Treasury Management in Local Authorities and the CIPFA Prudential Code for Capital Finance in Local Authorities.

As required by the Code, the activity report for 2015/16 was submitted at Annexe A to the report for consideration by the Committee prior to submission to Cabinet on 20 July 2016.

Following discussion it was:-

Resolved –

1. That the Treasury Management Activity Report for 2015/16 is approved.
2. That the actual 2015/16 prudential indicators, shown at Annexe D, are approved.

5. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2015/16

The Head of Internal Audit provided an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2015/2016.

The overall conclusion was that the governance, risk management and control framework designed and operated by the Council throughout the year in order to deliver its objectives was satisfactory. Within that, the framework of key financial controls providing assurance that was relied upon to produce the statement of accounts was generally good.

Appendix A to the report set out the sources of Audit Assurance for 2015/16

Appendix B contained the Audit Plan for 2015/16 as at 10 June 2016

Appendix C set out compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at 10 June 2016.

The Head of Internal Audit reported that there were no significant issues requiring the Audit Committee's attention. However, there were ongoing concerns around the availability of sufficient staff and other resources necessary to deliver the plan.

Following discussion it was:

Resolved –

That the Head of Internal Audit's Annual Report for 2015/16 is noted.

6. ANNUAL GOVERNANCE STATEMENT 2015/16

The Head of Performance and Service Support presented the Annual Governance Statement 2015/16 to the Committee.

Debate took place on the seven key governance issues identified for actioning in 2016-2017. With regard to consultation on the new Local Plan Members of the Committee stated that feedback from residents was that the consultation was not clear and that the questions differed from those asked in the previous round of consultation, although it was recognised that the format of the consultation may be set in legislation. Craig Watts would relay this feedback to the planning service.

The Chairman also suggested that the Member Code of Conduct should be reviewed if it had not been refreshed in the last 2/3 years. Craig Watts would investigate this.

Following discussion it was:-

Resolved – That the Annual Governance Statement 2015/16 is approved and, subject to any further amendments from external audit, its adoption is recommended to Council.

7. EY AUDIT COMMITTEE PROGRESS REPORT

The Audit Committee was presented with a report on the external auditor's plans for 2015/16.

The Committee noted that the report provided assurance that external audit was on track and that adequate plans were in place.

Resolved - That the plans for delivering the 2015/16 Audit Plan are noted.

Current Information Items

- CIPFA Better Governance Forum Audit Committee Update: Helping Audit Committees to be Effective, Issue 19:
 1. Good Governance in Local Government – 2016 Framework
 2. Appointing Local Auditors
- Fighting Fraud & Corruption Locally, The Local Government Counter Fraud and Corruption Strategy 2016-2019

Chairman

Audit Committee - 28.06.2016 – Action Sheet

6. ANNUAL GOVERNANCE STATEMENT 2015/16

Feedback from residents that the local plan consultation was not clear and that the questions differed from those asked in the previous round of consultation to be reported to the planning service. Craig Watts.

Chairman's view that the Member Code of Conduct should be reviewed if it had not been refreshed in the last 2/3 years to be investigated. Craig Watts.

AUDIT COMMITTEE

19 SEPTEMBER 2016

Counter Fraud & Investigation Directorate Plan 2016/17:

1. Purpose of Report

- 1.1 To update the Audit Committee on the progress made in delivering the Corporate Counter Fraud & Investigation Service.

2. Performance

- 2.1 The work programme consists of three main strands:
- Assessing compliance with relevant national frameworks
 - Delivering a proactive programme of counter fraud work
 - Investigating allegations of fraud, theft, bribery, corruption and money laundering offences, reported to the Directorate.
- 2.2 The current status of each of these work streams are detailed in this report, supported by individual appendices.
- 2.3 The formation of the government's Single Fraud Investigation Service in the Department for Work and Pensions now sees all housing and council tax benefit fraud work is managed outside of the Council. The Directorate does still have remaining responsible for progressing 'legacy' housing and council tax benefit fraud cases that were progressed into the judicial system.

3. Fighting Fraud & Corruption Locally

- 3.1 The original Local Government Fraud Strategy (Fighting Fraud Locally) ran from 2012 to 2015. The Council has periodically assessed its compliance with this Strategy during this period and reported it to the Audit Committee.
- 3.2 Responsibility for the reviewing and production of this strategy rests with CIPFA, supported by the Home Office and Cabinet Office who produced a revised strategy in May 2016.
- 3.3 The Directorate are now reviewing the council's compliance with this new strategy and will report on this at the next committee.

4. Proactive work programme

- 4.1 The proposed proactive work programme can be found in **Appendix 1** and sets out the current status of all the activities proposed in the Strategy for the

year. The main areas where work that the service has focused on to date, given the investigative caseload and resources available, has been:

- Housing Tenancy fraud
- Insider Threat
- Business Rate/Council Tax Fraud
- National Fraud Initiative

4.2 The service is also working closely with Internal Audit in relation to their scheduled audits on various areas and where risks and non-compliance is found collaboration is to take place to rectify this.

4.3 Input from the directorate into the Housing Allocation process, to show areas that can be strengthened, have already been put into motion and a supplementary document is to be sent out with all Right to Buy applications requesting further information from the applicant that will assist in the early detection of fraudulent/dishonest claims.

5. Counter Fraud & Investigation Strategy for 2016/17

5.1 A plan for the delivery of projects to further the anti-fraud culture across the Council and with its partners is detailed in **Appendix 2**. This is a directorate wide strategy and includes projects and strategies affecting all of the directorates' partners.

6. Fraud Awareness Training

6.1 As noted in Section 4.1 (**Appendix 1**) of this report there is an intention to complete training to all staff working for Castle Point Borough Council. This training is to be tailored to each individual department and will be a follow on from the successful training programme that has taken place at both Thurrock Borough Council and Southend Borough Council by the directorate.

7. Corporate Implications

Financial Implications

Proactive fraud and corruption work acts as a deterrent against financial impropriety and might identify financial loss and loss of assets.

Any financial implications arising from identifying and managing the fraud risk will be considered through the normal financial management processes.

Proactively managing fraud risk can result in reduced costs to the Council by reducing exposure to potential loss and insurance claims.

Legal Implications

The Accounts and Audit (England) Regulations 2011 require that:

The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk.

Therefore failure to do so would be a breach of a statutory duty.

Human Resources and Equality Implications

Human Resources, Equality, IT and Asset Management Implications

None

8. Links to Council's Priorities and Objectives

The implementation of the various fraud related strategies and action plans helps deliver all the Council priorities and objectives.

9. Timescale for Implementation

Timescales where relevant are set out in the body of the report.

10. Risk Factors

Failure to implement a robust assurance framework which includes fit for purpose risk management arrangements increases the risk that Council objectives will not be delivered.

Failure to operate a strong anti fraud and corruption culture puts the Council at risk of increased financial loss from fraudulent or other criminal activity.

Although risk cannot be eliminated from its activities, implementing these strategies will enable the Council to manage this more effectively.

Recommendations

The Audit Committee:

- **agrees the amendments made to the Anti Fraud and Corruption Policy and Strategy and recommends it to Cabinet for approval**
- **notes the work being done to mitigate the risk of fraud.**

Resolution Required

Background Papers

- Fighting Fraud locally, The Local Government Fraud Strategy
- CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption
- Association of Local Authority Risk Managers (ALARM) Publication: Managing the Risk of Fraud
- Audit Commission: Protecting the Public Purse: Fighting Fraud Against Local Government.

Appendices

- Appendix 1: Proactive Work Programme
- Appendix 2: Counter Fraud & Investigation Strategy 2016/17

Report Author: Michael Dineen, Counter Fraud & Investigation Directorate

Appendix 1: Proactive Work Programme as at August 2016

Risk Area	Tasks	Planned for Completion	Current Status
Housing Tenancy	Conduct a Fraud awareness training package to the Housing Tenancy Team at CPBC, including presentation, statement writing skills, interview techniques as well as proactive operational visits.	1 st December 2016	The fraud awareness presentation is to take place immediately with a 5 day training program being agreed with the Housing Management.
Right to Buy	Evaluate whether application processes can be strengthened to minimise the risk of fraud.	December 2016	Further documentation to be sent with Right to Buy applications so that further information can be gained regarding the applicant. Directorate wide priority.
Business Rates	Visit all 'empty exemptions' registered with Castle Point Borough Council to ensure exemptions are justified.	1 st July 2017	This will be an ongoing proactive program that the on-site fraud specialist will be responsible for.
Business Rates	Identify possible misuse of exemptions claimed for commercial property, including 'Phoenix Companies'.	1 st July 2017	This is to run in conjunction with the 'empty visits' programme. Joint working with Business Rates Team and Legal Team are to move forward this programme
Council Tax	Evaluate whether Council Tax Discount and Exemption processes can be strengthened to minimise the risk of fraud	1 st December 2016	Working policies to be reviewed and amendments made where necessary.

Appendix 1: Proactive Work Programme as at August 2016

Fraud Awareness	Introduce a formal, detailed intelligence alert system across all Council departments to inform services of immediate fraud risks.	1 st October 2016	Joint working with the ICT department at CPBC so that alerts can be added to the Intranet pages.
Fraud Awareness	Conduct organisational wide training packages tailored to the business area to include insider threat awareness	1 st October 2016	A schedule of training packages to be formulated and agreed with management so that the delivery can take place.
National Fraud Initiative, Data Matching Exercise	Investigate high level recommended data matches until the 2016 exercise is complete.	1 st December 2016	Awaiting new matches and discussions with 151 officer to take place



2016/17 Corporate Counter Fraud and Investigation Strategy

*Subject to annual review by Group Manager, Counter Fraud & Investigation
and Head of Internal Audit*

Reported to Corporate Management Team and Audit Committee

2016/17 Corporate Counter Fraud and Investigation Strategy

National Framework

Leaders of public sector organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong financial management.

In 2012, when it was published, the vision outlined in the Fighting Fraud Locally, The Local Government Fraud Strategy was that by 2015, local government will be better able to protect itself from fraud and have in place a more effective fraud response. The updated version by CIPFA's Counter Fraud Centre and Cabinet Office was published in May 2015. This is now being assessed by the Counter Fraud & Investigation Directorate.

On a more operational level, the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014) set out five principles for organisations to adopt, which are to:

- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption.

Finally Protecting the Public Purse, Fighting Fraud Against Local Government 2014 reported on detected fraud in the sector, looking at year on year trends. It highlights the main fraud areas and the issues faced by local authorities in tackling this risk effectively.

There is a lot of duplication and overlap in terms of the actions each of these documents recommend local authorities take in order to achieve the vision set out in Fighting Fraud Locally. Nevertheless, the aim of this Strategy is to deliver this vision.

In November 2015, responsibility for investigating housing benefit fraud transferred to the Department for Work and Pensions (DWP) Single Fraud Investigation Service (SFIS). The council no longer has responsibility for investigating benefit fraud.

Objective

To work effectively with Council services to develop arrangements that keep fraud, corruption, bribery, theft and misappropriation under control whilst:

- *exploring opportunities to reduce it to an absolute minimum, maximising the opportunity to recover losses incurred*
- *putting arrangements in place to maintain it at that level so the maximum resources are available to provide services to the local community.*

2016/17 Corporate Counter Fraud and Investigation Strategy

Approach

The Counter Fraud and Investigation Directorate (the Directorate) will help the Council minimise financial loss from fraud, corruption, bribery, theft and misappropriation by:

- working with services to set the right culture
- focusing on deterrence and prevention
- having robust arrangements in place to detect potential fraudulent activity
- where necessary, investigating cases thoroughly, taking robust action to apply sanctions, obtain redress and recover financial losses incurred.

The approach adopted will also help the Council operate a sound anti fraud governance framework designed to minimise this risk as set out below:



Source: ALARM Managing the Risk of Fraud

It will do this by:

- assessing the Directorate's compliance with good practice guidance relevant to local government, that sets out how a modern and professional counter fraud and investigation service should operate
- producing an annual report on the delivery of this strategy and compliance with good practice guidance
- maintaining an Anti Fraud & Corruption Policy and Strategy and the Anti Money Laundering Policy and Strategy (including Terrorist Financing requirements) as well as helping ensure staff are aware of the Whistleblowing Policy
- undertaking a programme of preventative and detective work targeted on key fraud risk areas

2016/17 Corporate Counter Fraud and Investigation Strategy

- adopting a modern, comprehensive approach to undertaking investigations which maximises the use of tools such as surveillance, computer forensics and financial investigation, taking every opportunity, once an offence is proven in court, to recover losses incurred by seeking:
 - **Compensation Orders** for the amount the Court considers appropriate where it can be proved that the Council has suffered distress, personal injury or financial loss, which may also include a sum by way of interest
 - **Confiscation Orders** requiring a convicted defendant to pay the amount he/she has benefited from the crime (under the Home Office Asset Recovery Incentivisation Scheme, the Directorate would receive 37.5% of this order to reinvest in the prevention and detection of fraud)
 - **Profit Orders** for the recovery from defendants of profits made from unlawful sub-letting either following conviction or in separate civil proceedings.

In delivering this, the Directorate will:

- develop work streams in fraud risk areas other than housing benefits
- look for opportunities to develop beneficial collaborative working arrangements with other organisations and relevant agencies
- work closely with internal audit to provide an effective and integrated service to the Council.

Code of Ethics

All counter fraud and investigation staff working for the Directorate will comply with Standards of Public Life's *Seven Principles of Public Life* as defined in the Local Code of Governance.

The four key principles they will adopt are as follows:

- The **integrity** of Counter Fraud and Investigation staff establishes trust and this provides the basis for reliance on their judgement.
- Counter Fraud and Investigation staff:
 - exhibit the highest level of professional **objectivity** in gathering, evaluating and communicating information about the activity or process being examined
 - make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
- Counter Fraud and Investigation staff respect the value and ownership of information they receive and do not disclose information (**confidentiality**) without appropriate authority unless there is a legal or professional obligation to do so.
- Counter Fraud and Investigation staff apply the knowledge, skills and experience (**competency**) needed in the performance of counter fraud and investigation services.

Inappropriate disclosure of information or breaches of the Code of Ethics by Counter Fraud and Investigation staff could be a disciplinary offence.

2016/17 Corporate Counter Fraud and Investigation Strategy

All staff working for the Directorate will be required to sign an Ethical Governance Statement and declare any interests prior to starting an investigation and to formally update their statement as part of their six monthly appraisal meeting.

Risk Assessment

Fraud within local government is diverse and, based on research and intelligence, likely to be committed against all types of expenditure including payroll, goods and services, as well as against the taxes and benefits or services administered at a local level.

The National Fraud Authority (NFA) estimated in 2013 that fraud in local government amounted to £2.1bn representing 10% of total public sector fraud as outlined below:

Category	Annual Loss	Fraud Level%
Procurement Fraud	£876m	1% of spend
Housing Tenancy Fraud	£845m	2% of housing stock
Payroll Fraud	£154m	Not disclosed by NFA
Council Tax Discount	£133m	4% on discounts and reliefs claimed
Blue Badge Scheme Abuse	£46m	20% of badges misused
Grant Fraud	£35m	1% of spend
Pension Fraud	£7.1m	N/A based on NFA detection levels

All of these identified risks with the exception of the pension fund are relevant to the Council and a source of potential financial loss.

The Audit Commission's report, Protecting the Public Purse 2014 concluded that local authorities detected fewer cases in 2013/14 but their value increased by 6%. It identified detected fraud in the following areas:

Category	Value
Council Tax Discount	16.9m
Right to Buy	12.3m
Social Care (Direct Payments)	6.2m

2016/17 Corporate Counter Fraud and Investigation Strategy

Category	Value
False Insurance Claims	4.8m
Abuse of Position	4.5m
Procurement	4.5m
Schools (maintained)	2.3m
Business Rates	1.2m

The Directorate will:

- take account of these nationally identified risks in developing its annual work programme
- work with the Internal Audit Service to develop the fraud risk aspect of the internal audit risk assessment which covers all Council activities. This will help joint working, particularly where proactive exercises are being planned.

Work Plan

The Directorate's Corporate Counter Fraud and Investigation Plan for 2016/17 is split into three areas which include:

- assessing compliance with national frameworks (e.g. Fighting Fraud Locally and Protecting the Public Purse etc) to ensure the Council's governance arrangements in this area are fit for purpose
- investigating allegations of fraud, theft, bribery, corruption and money laundering.
- delivering a programme of proactive work, including data matching exercises

All allegations reported to the Directorate will be recorded and then risk assessed to determine the work priorities for the team.

Progress in delivering the work programme will be reported upon quarterly to Corporate Management Team and the Audit Committee.

The work undertaken by the Directorate will inform:

- the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements
- the Section 151 Officer's opinion when certifying the annual financial statements
- the view given by the Chief Executive and Leader on behalf of the Council in the Annual Governance Statement
- external audit's work when auditing the financial statements.

2016/17 Corporate Counter Fraud and Investigation Strategy

Resourcing

The directorate provides 1 FTE to fulfil the position of an onsite fraud specialist. This FTE has taken up post on 1st July 2016.

The allocation of work between proactive and reactive investigations will be reviewed regularly and adjusted accordingly to ensure an appropriate balance is maintained.

The service will be provided by Thurrock Council via a Service Level Agreement which came into effect on 1st July 2016. The Strategic Director (Transformation & Resources) is to be the councils contact with regards to the Service Level Agreement.

Service Performance

The service will measure the impact of its work:

- through its contribution to ensuring the Council's governance arrangements in this area comply with good practice guidance
- by an increase in:
 - the identification and reporting of fraud incidents
 - housing properties recovered
 - the financial loss identified through targeted and effective proactive anti-fraud work
 - losses recovered via Confiscation, Compensation and Profit Orders awarded to the Council.

Quarterly performance reports will be produced for senior management and the Audit Committee.

Service Risk Register

The Directorate will create a service risk register that supports the delivery of this Strategy. This will be reviewed and reported upon periodically in the quarterly performance reports to management.

Undertaking Investigations

An investigations manual will be maintained that guides staff in the performance of their duties. It will be reviewed regularly to reflect changes in working practices and standards. This will ensure that investigators obtain and record sufficient evidence to support their conclusions, professional judgements and recommendations.

The Directorate will make recommendations for improving any services, systems or processes should control weaknesses be highlighted by an investigation. It will work with Internal Audit, where necessary, to ensure:

- action plans are produced in a consistent format
- appropriate arrangements are made for checking that actions agreed are implemented, properly, in a timely manner.

2016/17 Corporate Counter Fraud and Investigation Strategy

Investigation files will be retained in accordance with the Council's file retention and disposal policy.

External Audit

The Directorate will maintain an appropriate working relationship with the Council's external auditors, sharing documentation and reports as required to support the audit of the financial statements and any other work undertaken.

AUDIT COMMITTEE

19 September 2016

Subject: EY Audit Results Report 2015/16

1. Purpose of Report

This report summarises the results of the work completed to date for the 2015/16 financial year with regard to:

- the opinion on the Statement of Accounts
- the conclusion on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources (the VFM conclusion).

2. Background

A senior representative of EY (the Council's appointed external auditors) will present the key matters from this report to the Audit Committee and then respond to any questions of clarification by Members.

3. Corporate Implications

(a) Financial Implications

The work required was delivered within the agreed fee.

No issues have arisen from the audit that has a financial consequence for the Council.

(b) Legal Implications

The Council are required to:

- have an external audit of its activities that complies with the requirements of the Audit Commission's Code of Audit Practice (the Code)
- receive a report from the external auditor on the work completed under the provisions of the International Auditing Standard 260 prior to giving the opinion on the financial statements.

By considering this report, the Council has met these statutory requirements

(c) Human Resources and Equality Implications

Human Resources

None

Equality Implications

None.

(d) IT and Asset Management Implications

None

4. Links to Council's Priorities and Objectives

Audit contributes to the delivery of all the Council's Priorities and Objectives.

5. Timescale for Implementation and Risk Factors

The audit opinion on the financial statements needs to be given by the 30 September 2016. The external auditor must report to those charged with governance before the opinion is given. By presenting this report to Committee, this requirement has been met.

There are no significant issues arising from this report therefore there are no risks to highlight. The action plan will be completed and implementation dates agreed.

6. Conclusion

None

Recommendation

The Audit Committee:

- considers and notes the external auditors Audit Results Report 2015/16
- approves the Letter of Representation contained within the report.

Background Papers

- None

Attachments

EY Audit Results Report 2015/16

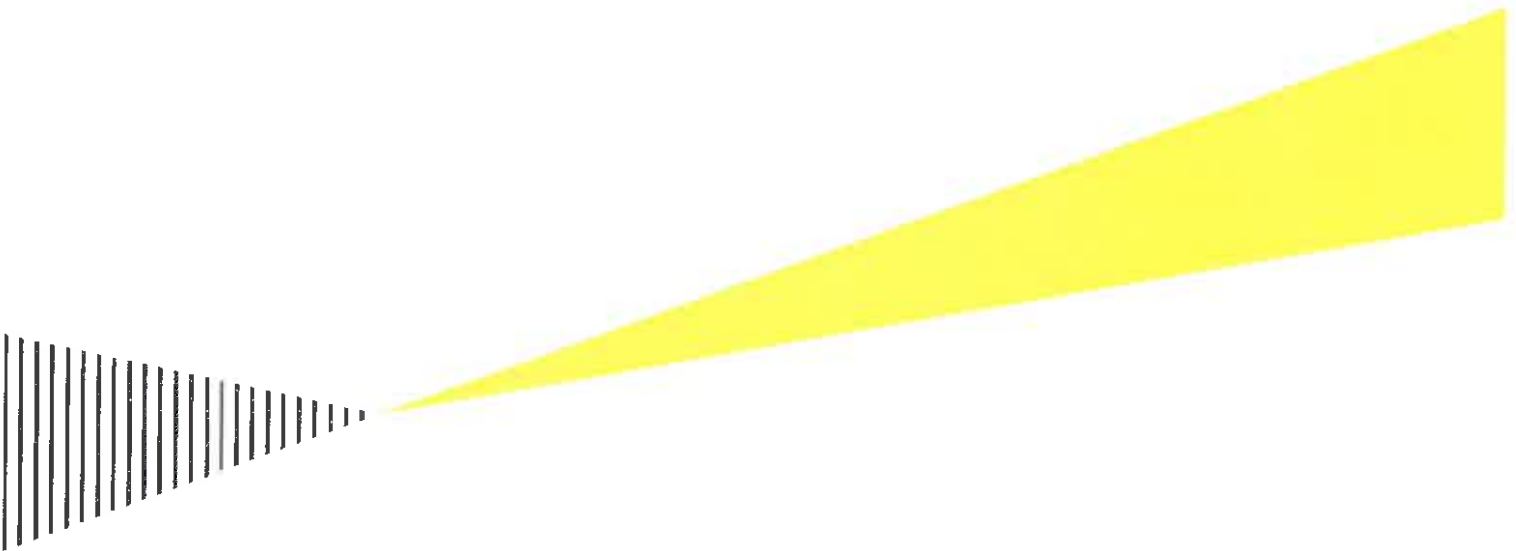
Report Author: Kevin Suter, Executive Director, EY

Castle Point Borough Council

Audit Results Report - ISA (UK and Ireland) 260
for the year ended 31 March 2016

September 2016

Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies 2015-16". It is available from the Chief Executive of each audited body and 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 from 1 April 2015' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Castle Point Borough Council for the year ended 2015/16. Subject to satisfactory completion of the outstanding items included in Appendix A we will issue an audit opinion in the form which appears in Appendix D.</p> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>The Council is below the materiality threshold set by the National Audit Office (NAO) for the Whole of Government Accounts return. We therefore do not have to complete any procedures related to this, other than confirming that the Council is below the threshold.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>We have not identified any audit differences within the draft financial statements, which management have chosen not to adjust.</p> <p>Our audit identified some minor disclosure differences which our team have highlighted to management for amendment. These have been corrected during the course of our work. These adjustments have not had an impact on useable reserves.</p>
Scope and materiality	<p>In our Audit Plan presented at the meeting of the Audit Committee on 21 March 2016, we communicated that our audit procedures would be performed using a materiality of £970,000. We have reassessed this based on the actual results for the financial year and have reduced this amount to £922,140.</p> <p>The threshold for reporting audit differences which impact the financial statements has also reduced from £48,500 to £46,107.</p> <p>The basis of our assessment is 2% of gross operating expenditure. Our materiality has been reduced as a result of expenditure reducing in 2015/16 compared to 2014/15.</p> <p>We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include:</p> <ul style="list-style-type: none"> • <i>Remuneration disclosures including any severance payments, exit packages and termination benefits:</i> Our audit strategy was to check the bandings reported in Notes 5 and 6 of the financial statements,

test the completeness of the disclosure and compliance with the Code requirements. We sample checked transactions back to the payroll system and supporting documentation. We have completed our work and did not identify any issues.

- *Related party transactions:* Our audit strategy was to obtain and review declarations from senior officers and members of the Council and review for any material disclosures. We also confirmed that the disclosure in Note 8 complied with the Code requirements. We undertook a sample check of contracts included on the Council's contracts register against Companies House records to identify whether any key decision makers within the Council had an interest in the companies with which the Council had contracts. We have completed our work and did not identify any issues.
- *Members Allowances:* Our audit strategy was to test the completeness of the disclosures within Note 4 and make sure that the disclosure was compliant with the Code by sample checking transactions back to the payroll system and other relevant supporting documentation. We have completed our work and did not identify any issues.

We carried out our work in accordance with our Audit Plan.

Significant audit risks	<p>We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:</p> <ul style="list-style-type: none">• risk of management override; and• risk of fraud in revenue recognition <p>We have not yet completed our audit procedures to address these risks, but have no issues to report on the work completed to date. We will report any findings arising from the completion of this work to the Audit Committee on 19 September 2016.</p>
Other reporting issues	<p>We have no other matters we wish to report.</p>
Control observations	<p>We tested controls relating to accounts payable, accounts receivable and housing benefits. 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.</p>

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Kevin Suter
Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our audit approach focussed on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. ▶ Reviewing accounting estimates for evidence of management bias. ▶ Evaluating the business rationale for significant unusual transactions. 	<p>We have carried out testing on journals for months 1 to 10, including:</p> <ul style="list-style-type: none"> • Testing for references to senior staff in the description; • Testing for references to Council members in the description; and • Testing for unusual account combinations. <p>This work has not identified any issues or matters for reporting.</p> <p>Our work on journals for months 11 to 12 is currently being completed. This work will include:</p> <ul style="list-style-type: none"> • Testing journals above our threshold that are posted on weekends; • Testing all journals posted by senior staff; and • Testing all manual journals above our threshold that have been processed at year end. <p>We will provide an update and any findings at the Audit Committee meeting.</p> <p>Our work on accounting estimates and unusual transactions has not identified any issues or matters for reporting.</p>

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 the manipulation of 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 revenue recognition.

During the course of our audit we have:

- ▶ Reviewed and tested the Council's revenue and expenditure recognition policies.
- ▶ Reviewed and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias.
- ▶ Developed a testing strategy to test material revenue and expenditure streams.
- ▶ Reviewed and tested revenue cut-off at the period end date.
- ▶ Tested capital expenditure on property, plant and equipment to ensure it meets the definition of capital expenditure as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

We have carried out sample testing on income and expenditure streams for months 1 to 10. This work has not identified any issues or matters for reporting.

Our work on income and expenditure streams for months 11 to 12 is currently being completed. This work will include agreeing the amounts to supporting documentation for reasonableness and business purpose.

We will provide an update and any findings at the Audit Committee meeting.

We did not find any evidence of management bias in material accounting estimates.

Our sample testing of income and expenditure at the period end date found that transactions had been recorded in the correct period.

Our sample testing of capital additions found that expenditure on property, plant and equipment met the relevant accounting requirements to be capitalised.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

We have no matters we wish to report at this stage of our audit.

Control themes and observations

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.

We tested controls relating to accounts payable, accounts receivable and housing benefits and carried out testing only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of 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.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix E.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

The Council is below the materiality threshold set by the National Audit Office (NAO) for the Whole of Government Accounts return. We therefore do not have to complete any procedures related to this, other than confirming that the Council is below the threshold.

4. Value for money



We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its 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.

Overall conclusion

We identified the following significant risk in relation to these criteria.

Sustainable resource deployment: Achievement of savings needed over the medium term

The Council faces significant financial challenges. Efficiency savings, cost reductions and additional income are required over the forthcoming periods of:

- 2018/19, £1.1m
- 2019/20, £1.9m

Given the scale of the savings needed, there is a risk that savings plans to bridge this gap are not robust and/or achievable.

We have considered the:

- robustness of any assumptions used in the 2016-17 annual budget and medium term planning.
- The Council's progress in identifying the sources of savings and additional income to reduce the 2018/19 and 2019/20 budget gaps.
- The adequacy of future levels of reserves

We have concluded that the Council's arrangements are adequate.

We have performed the procedures outlined in our Audit Plan as noted above.

We did not identify any significant weaknesses in the Council's arrangements. We did however identify the following areas to bring to your attention:

- The Council's financial forecast currently indicates that its budgets are balanced for 2016/17 and largely balanced for 2017/18 (forecast budget gap of £6,000). However, significant budget gaps of £1.1m and £1.9m are forecast for 2018/19 and 2019/20 respectively.
- A core no-growth base budget for 2016/17, 2017/18 and provisional budget for 2018/19 is driven by current service plans and a review of 2015/16 outturn estimates. This includes reasonable estimates and assumptions, including increases for inflation, pay awards, employer's pension fund contributions, contracts, rates, utilities and insurances. Controllable service costs have been carried forward at existing levels except in cases of unavoidable increases.

- The medium term financial forecast assumes the continuation of a number of revenue streams from external organisations or third parties. It is noted that many of these organisations are themselves seeking to make efficiencies and reduce costs. The Council has acknowledged that it is possible that these revenue streams may be lost. In addition, where revenue streams are sensitive to changes in market conditions, the Council has identified there is a risk that budgets may not met due to the fluctuating economy.
- For 2017/18 onwards, the medium term financial forecast indicates the use of general reserves to support revenue expenditure. However, it is the Council's intention to identify sufficient efficiencies through cost reductions and additional income opportunities to bridge the budget gap without the use of reserves.
- In order to ensure that the Council can remain sustainable throughout this period, the minimum level of general fund reserves has been increased in 2016/17 from £2.4 million to £2.7 million and additional funds are being allocated to earmarked reserves.
- The Council recognises that they are dependent on New Homes Bonus (NHB) to support spending plans and balance the budget. The Council has assessed the impact of the proposed changes to the NHB scheme and this has been factored into the budget and its medium term financial forecast. The financial forecast reflects the worst case scenario and shows a reduction in NHB from 2016/17 to 2019/20 of £1.172 million in 2016/17, £0.774 million in 2017/18, £0.485 million in 18/19 and £0.351 million in 2019/20.
- The Council has already identified savings which will impact throughout the financial forecast. For example, the funding gap for 2017/18 which was identified in the medium term financial forecast in 2016/17 has reduced since the financial forecast for 2015/16 from £1.7 million to £6,000. This has been predominantly through an established programme of work that has been used to improve efficiency and reduce costs. This programme has included seeking procurements that maximise efficiencies and opportunities, reviewing service delivery methods and cost sharing with partners.
- The Council recognises the challenge it faces to balance the budget in future years. Higher costs and increasing demands from the public mean the Council is seeking new ways of service delivery. However, further savings will need to be identified in order to balance the budget from 2017/18 onwards, and its existing programme of work in reviewing efficiencies in services is coming to an end. The Council may need to take some significant and difficult decisions in the near future to ensure that it can balance its 2018/19 budget and beyond.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Other matters to bring to you attention

We have no other matters to bring to your attention.

Appendix A – Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report

Item	Actions to resolve	Responsibility
Management representation letter	Receipt of signed letter of representation	Management and Audit Committee
Annual accounts	<ul style="list-style-type: none"> • Correction of any misstatements identified by EY. • Approval of accounts by Council. • Accounts re-certified by RFO. 	EY, management and Council
Subsequent events review	Completion of the subsequent events procedures to the date of signing the audit report	EY and management
Other outstanding work	<p>Management and EY to work together to complete any outstanding work on:</p> <ul style="list-style-type: none"> • cash flow statement • housing benefits testing and analytical review • journals testing on months 11 and 12 • contracts testing • creditors testing, income and expenditure account testing on months 11 and 12 • bank and investment confirmations • final Director and Manager review of the audit work • review of the final version of the financial statements 	EY and management

Appendix B – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 9 March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (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 are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 19 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 9 March 2016.

Appendix C – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work	56,265	56,265	
Certification of claims and returns	21,801	21,801	

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

Our fee for the certification of claims and returns will be confirmed at the completion of the certification of the Council's Housing Benefit Subsidy Claim, due by 30 November 2016.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Appendix D – Draft audit report

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 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Housing Revenue Account Income and Expenditure Statement and the Movement on the Housing Revenue Account Statement,
- Collection Fund; and
- Related notes AP1 to AP24 and 1 to 20 for the core statements, notes 1 to 4 for the Housing Revenue Account and notes 1 and 2 for the Collection Fund.

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 2015/16.

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 Castle Point Borough Council and the Castle Point Borough 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 and auditor

As explained more fully in the Statement of the Head of Resources Responsibilities set out on page 18, the Head of Resources is responsible for the preparation of the Statement of Accounts, 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 2015/16, 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.

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 Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts for the Financial Year 2015/16 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 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts for the Financial Year 2015/16 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

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

Authority's responsibilities

The Authority 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 2015, as to whether 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 Comptroller 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 2016.

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 2015, 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 2016.

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

September 2016

Appendix E – Management representation letter

[To be prepared on the entity's letterhead]

[Date]

Kevin Suter
Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Dear Kevin,

Castle Point Borough Council Letter of Representations

This letter of representations is provided in connection with your audit of the financial statements of Castle Point Borough Council ("the Council") for the year ended 31 March 2016. 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 financial statements true and fair view of the Council financial position of Castle Point Borough Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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 (UK and Ireland), 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 2015/16.
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 (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the 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 2015/16, that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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 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's 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 Council's 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 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.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you minutes of the meetings of the Council and all committees, including the Audit Committee, or summaries of actions of recent meetings for which minutes have not yet been prepared held through the to the most recent meeting on the following date:
xxx
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 period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the 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 financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. 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.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

F. Subsequent Events

1. Other than the results of the EU referendum described in Note 16 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the Property, Plant and Equipment, Investment Properties, Pension Liabilities and business rate appeals and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the 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.

H. Estimates for Property, Plant and Equipment, Investment Properties, Pension Liabilities and business rate appeals

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) 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 2015/16.
2. We confirm that the significant assumptions used in making the estimates for property, plant and equipment, investment properties, pension liabilities and business rate appeals appropriately reflect our intent and ability to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenue and expenses during the year on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events

Retirement Benefits

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.

Yours Sincerely,

Head of Resources (s151 Officer)

I confirm that this letter has been discussed and agreed at the Audit Committee on 19 September 2016

Chairman of Audit Committee

Appendix F – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ 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 in aggregate, that indicated there could be doubt about Castle Point Borough Council's ability to continue as a going concern for the 12 months from the date of our report.
Misstatements <ul style="list-style-type: none"> ▶ 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 ▶ In writing, corrected misstatements that are significant 	Audit Results Report.
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	We have made enquiries of management and those charged with governance. 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 entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters we wish to report.

Required communication	Reference
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	We have received all requested confirmations.
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have not identified any material instances of non-compliance with laws and regulations.
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan and Audit Results Report
Significant deficiencies in internal controls identified during the audit	Audit Results Report
Fee Information <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	Audit Plan Audit Results Report
Certification work <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	We will report the findings from our certification work to the Audit Committee at its meeting in March 2017

EY | Assurance | Tax | Transactions | Advisory

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Committee: AUDIT COMMITTEE

Date: 19th September 2016

**Subject: Quarterly Monitoring Report of the Council's
Governance Arrangements**

1. Purpose of Report

To present the findings from the quarterly monitoring of the Council's governance arrangements.

2. Background

2.1 Part of the requirement of the Council's governance arrangements is a quarterly report on the operation of the assurance framework for the Council. The assurance process includes the work of external auditors and is supplemented by the work of the internal audit service, as well as other assurance processes, including internal officer and member processes.

2.2 The Committee will be aware that governance arrangements include individual staff leads who have taken responsibility for the governance processes set out below and are members of the Governance Group. This report was developed in consultation with officers from the governance group.

3. Monitoring Results for Key Governance Processes

3.1 Community Engagement

3.1.1 Assurance arrangements are satisfactory. Services undertake specific consultation as required and there are a number of customer satisfaction surveys. Planned consultation activities include consultation for a refreshed corporate plan to be undertaken in the Autumn of 2016.

3.2 Business Strategy and Planning

3.2.1 The arrangements for business strategy and planning are adequate. There is a corporate action plan, service plans and team plans in place. Highlight reporting to corporate management team remains in operation and team and service plans for 2016/17 have been developed by services. A refreshed corporate plan has been developed and was considered by Cabinet in September before further consideration by Council. A more detailed review of the corporate plan will begin with public consultation planned to be undertaken in the Autumn of 2016.

3.3 Financial Planning, Reporting and Budgetary Control

3.3.1 Robust processes are evident to be assured that the arrangements for financial planning, reporting and budgetary control are effective. For example, a budget exception report is considered by the Executive Management Team and Councillors on a monthly basis. Variances at year end are reported on all service areas, with commentary on those in excess of +/- £10k, and analysis of changes

in income and expenditure from the previous financial year. External assurance has been provided by the annual audit of the Council's Statement of Accounts and the work of external audit. The processes in place give adequate officer and member assurance.

- 3.3.2 The Council maintains a five year rolling financial forecast which is reviewed and reported through to Cabinet on a bi-monthly basis unless there is no significant change to report. The forecast is supported by three years detailed budget workings with the final two years of the forecast being adjusted for future anticipated cost pressures. Assumptions adopted in the forecast are contained in a detailed report made to Special Council in February annually.
- 3.3.3 The Council maintains a level of reserves in excess of the minimum level recommended by the Council's Chief Finance Officer and has set a balanced budget for 2016/17, with only a minor budget gap in 2017/18. Full Council agreed the Policy Framework and Budget Setting report in February which includes the financial planning strategy, the medium term financial forecast and a summary of completed efficiency work.
- 3.3.4 However, significant savings are required for the medium term from 2018/19 onwards and the Council is undertaking a number of actions through the efficiency programme and the Austerity and commercial strategy.

3.4 Asset Management

- 3.4.1 There are adequate routine assurance processes for Asset Management which include bi-monthly Asset Management sessions, which are integrated into programmed meetings of the Operational Management Team. Significant Asset Management based projects conform to the Councils project management methodology (PROMPT) and are reported to Cabinet.
- 3.4.2 A programme of works is in place to address planned repairs and maintenance issues. Funding provision has been earmarked and completion of all works is planned within the lifetime of the current medium term financial forecast.

3.5 Policy Framework

- 3.5.1 The policy framework operates satisfactorily, and policies and strategies largely continue to be refreshed by services. A register of policies and strategies is in place as well as guidance on the elements of a good strategy or policy and an assessment of key policies and strategies. The policy framework is set out in the Business Planning and Budget Framework and was reported to Cabinet in February 2016.

3.6 Risk Management including Fraud & Corruption, Whistleblowing, Money Laundering and Health & Safety

- 3.6.1 A corporate risk register continues to be in place and is subject to monitoring by Executive Management team. Risks have been identified as part of the development of team and service planning and risks get escalated to the corporate risk register should the identified issue be considered significant. The corporate risk register was re-assessed in June following the completion of service plans and a further risk register is attached as Appendix 1 to this report. An internal audit of the risk management process is currently being progressed and the results of this will be reported to a future meeting of the Audit Committee.

3.7 Business Continuity

- 3.7.1 Satisfactory progress has been made to the business continuity arrangements in place. Impact assessments have been completed by all services and have been used to help services develop their Service Delivery Action Plans. A corporate generic business continuity plan is also in place which is refreshed biennially. During December to February 2016 a refresh of service specific business continuity plans was undertaken and any relevant changes will be incorporated into the corporate business continuity plan as appropriate.

3.8 Performance Management

- 3.8.1 Core processes operate satisfactorily, including highlight reporting to Corporate Management Team and the production of a corporate scorecard which is considered quarterly by Cabinet, the most recent of which was in the June Cabinet for the end of year 2015/16 results.
- 3.8.2 Control arrangements include the production of quarterly reports of performance indicators by all services for consideration by EMT.

3.9 Data Quality

- 3.9.1 Arrangements are satisfactory. The service planning process includes a requirement for team managers and heads of service to sign a declaration which includes consideration of data quality and the commitment to spot checking of data. An internal audit of planning processing performance data undertaken in October last year found the information reported in the cabinet scorecard to be accurate and as required by government performance indicator definitions.

3.10 Value for Money

- 3.10.1 Arrangements are in place and the assurance processes are operating appropriately. For example, a programme of work to identify and obtain efficiencies is in place for council services and is set out in the corporate plan. The Council has also identified a set of value for money ratios taken from the and these are used to monitor progress and retain understanding of comparative value for money.

3.11 Procurement

- 3.11.1 There are satisfactory arrangements in place and the assurance processes are operating appropriately. Procurement is integrated into the meetings of the Operational Management Team and assists in the implementation of corporate requirements. The Council's Commissioning and Procurement Strategy and Procurement Toolkit was updated in 2015 to take into account changes in legislative requirements. The Commissioning and Procurement Policy was updated in March 2016. An internal audit of procurement arrangements was held during the spring of 2016 and a number of actions have been completed to help strengthen controls and provide further guidance including an improved procurement checklist and a clarified process for exemptions to contract procedure rules.

3.12 Partnerships

- 3.12.1 Assurance processes are subject to further development work. A partnership strategy is planned to be progressed which will set out the key partnerships and how these link to each other. Partnership work is also being audited and progress will be monitored.

3.13 Project Management

- 3.13.1 The arrangements are satisfactory. The service plans include an indication of planned projects with a prioritisation. These have been incorporated into a corporate programme and the most important projects will be set out as part of the corporate plan.

3.14 Complaints

- 3.14.1 An internal audit of the complaints system has been undertaken and a number of recommendations have been set out. This includes the need for the procedure to refer to how complaints handled by the Council's contractors are dealt with, the development of standard letter templates and additional training for staff, as well as further requirements to ensure consistency of use and explore greater security. This work is being progressed with a more secure database established in June. Monitoring reveals that completion of the database remains patchy in some areas and EMT have requested compliance from operational managers. Progress has been made in the development of templates. Work in this area will continue to be monitored.

3.15 Ethical Governance

- 3.15.1 Satisfactory arrangements are in place. A common code of conduct is in place along with appropriate mechanisms including a governance committee. Following an audit of the arrangements further work has been identified such as updating the Protocol on the use of IT and ensuring the Council is compliant with the Local Government Transparency Code. A review of progress is planned and the arrangements will continue to be monitored.

3.16 Officer Conduct

- 3.16.1 There are appropriate assurance arrangements in place to ensure robust officer conduct. This includes a range of human resource policies and procedures. The processes in place continue to give adequate assurance. Following the ethical governance audit, the Employee Code of Conduct is to be amended to include ethical standards, the Nolan principles and relevant information from the new Fraud and Bribery Act. In addition, the expected behaviour on social media will be added to the Employee Code of Conduct.

3.17 Information Governance

- 3.17.1 The Council has implemented an information governance strategy, which is underpinned by associated guidance. The Council's Head of Law acts as the Senior Information Risk Owner. The 'How it Works' guidance also contains a section on information governance.

4. Corporate Implications

a. Legal implications

There are no direct legal implications arising from this report.

b. Financial implications

There are no direct financial implications arising from this report.

c. Human Resource & Equality

The monitoring and development of the assurance framework is delivered within existing resources.

The Council's equality policy is applied as an inherent element of the assurance processes. Equality is also an area that is subject to audit scrutiny. All key decisions require an Equality Impact Assessment.

d. IT and Asset Management implications

There are no direct IT or Asset Management implications arising from this report.

5. Links to Council's priorities and objectives

All assurance processes and improvement work support the corporate priority of Improving the Council.

6. Timescale for implementation and risk factors

The monitoring of the effectiveness of the assurance framework will be undertaken every three months and reported to the Audit Committee. The Council will not be able to fully achieve its objectives and priorities without a robust assurance framework.

Recommendation:

- 1. Committee are invited to consider the findings of this report as outlined in section 3 and question officers as appropriate.**
- 2. Committee are requested to consider the risk register attached as Appendix 1 and question officers as appropriate.**

Resolution required.

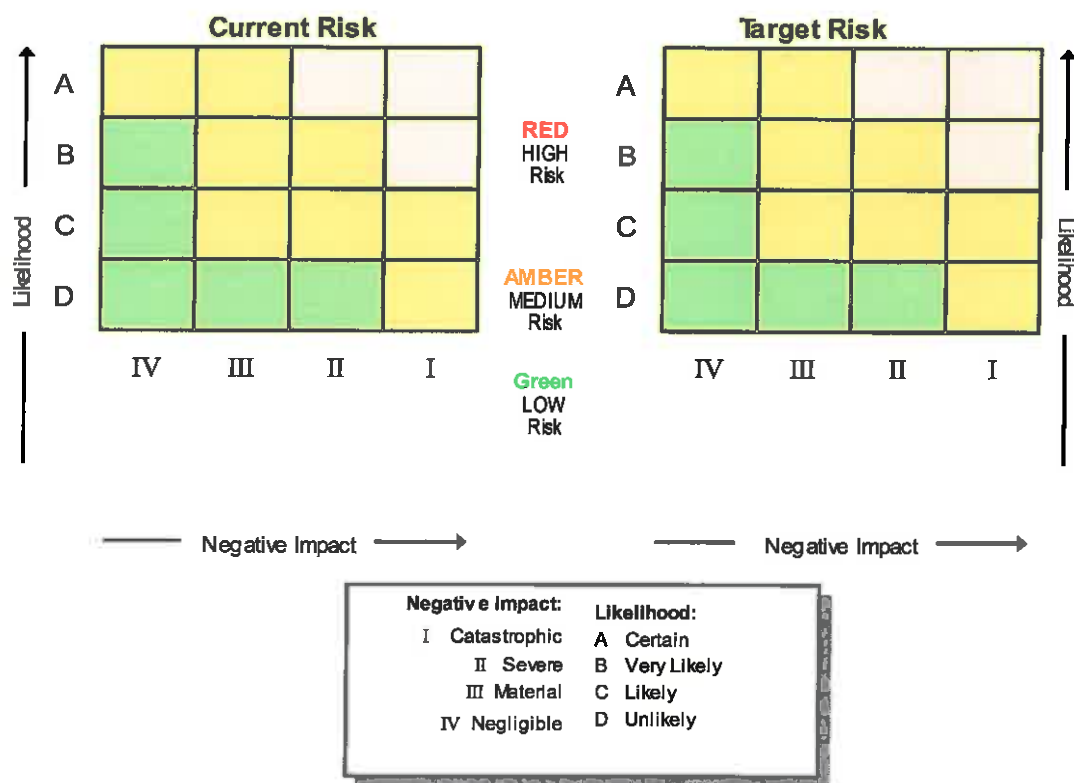
Background Papers: Local Code of Governance

Report Author: Craig Watts, Head of Performance & Service Support

Corporate Risk Register

Risk Assessment

All risks are assessed as follows:



A summary of the current controls is set out for the current risk and a summary of the further actions planned is set out for the target risk.

Public Health & Wellbeing:

Risk Description: 1. Partnership Arrangements are not fully effective and risks focus on work that does not always meet Council priorities

Current Risk

A		X		
B				
C				
D				
	IV	III	II	I

Target Risk

A				
B				
C		X		
D				
	IV	III	II	I

Summary of Current Controls:

1. Experienced Head of Licensing and Safer Communities responsible for partnership work
2. Core partnerships in place
3. Some explicit priorities for some key partnerships
4. Reporting arrangements for key partnerships including LSP, Regeneration framework and Thames Gateway.

Assurance that Controls are in Place:

1. Staff
2. Minutes of partnership meetings
3. Copies of partnership documentation including strategies and action plan
4. Minutes of appropriate partnership meetings

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
1. Internal Audit of Partnership arrangements	Head of Internal Audit	October 2016
2. Implement Action Plan	Head of Regeneration & Neighbourhoods / Head of Performance & Service Support	December 2016
3. Partnership Strategy developed and agreed by Cabinet.	Head of Regeneration & Neighbourhoods / Head of Performance & Service Support	March 2017

Target Risk to be achieved by: March 2017

Responsibility: Head of Regeneration & Neighbourhoods / Head of Performance & Service Support

Transforming Our Community

Risk Description: 2. The Vision for Regeneration is not fully clear and the achievement of outcomes is limited.

Current Risk

A			X	
B				
C				
D				
	IV	III	II	I

Target Risk

A				
B			X	
C				
D				
	IV	III	II	I

Summary of Current Controls:

1. Regeneration partnership in place
2. Experienced Regeneration Manager and staff
3. Employment skills and Business partnership operating as part of LSP
4. Detailed developer proposals for development of Hadleigh Island Site

Assurance that Controls are in Place:

1. Minutes of Regeneration partnership meetings
2. Staff
3. Minutes of ESB meetings
4. Copies of developer proposals for Hadleigh Island Site

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
Sign developer agreement for Hadleigh Island Site in liaison with Essex County Council Departments and Private developer.	Regeneration Manager	November 2016
Submit planning application for Hadleigh Island Site.	Regeneration Manager	June 2017
Create Canvey Island 'Town Team' with public, private and voluntary sector representatives to take forward a programme of initiatives and projects to access Government Coastal Communities funds	Regeneration Manager	January 2017

Target Risk to be achieved by: March 2017

Responsibility: Regeneration Manager / Head of Regeneration & Neighbourhoods

Risk Description: 3. Local Plan is not progressed satisfactorily and / or is not robust resulting in central government intervention and high legal costs

Current Risk

A				X
B				
C				
D				
	IV	III	II	I

Target Risk

A				X
B				
C				
D				
	IV	III	II	I

Summary of Current Controls:

1. New Local Plan developed and agreed by full Council
2. Professional staff and use of consultants to provide detailed research and data to help develop the plan
3. Member Task & Finish Group helped further develop the plan to include political considerations

Assurance that Controls are in Place:

1. Copy of New Local Plan agreed for submission at March 2016 Council meeting
2. Copies of reports and policies prepared by staff and consultants – e.g. SHMA
3. Minutes of meetings with members

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
Consultation with local residents on the submission New Local Plan.	Planning Policy & Support Manager	June 2016
Consultation results and research documentation sent to Planning Inspectorate with New Local Plan	Head of Regeneration & Neighbourhoods	August 2016
Consider advice and response from Planning Inspector	Head of Regeneration & Neighbourhoods	October 2017
Ensure Member meetings are provided with appropriate timely reports and information.	Head of Governance	January 2017
Local Plan considered by Full Council and approved for adoption.	Head of Regeneration & Neighbourhoods	March 2017

Target Risk to be achieved by: March 2017

Responsibility: Head of Regeneration & Neighbourhoods

Efficient & Effective Customer Focussed Services

Risk Description: 4. Unable to provide full range of existing services for years 2017/18 and beyond due to reductions in government grant funding.

Current Risk				
--------------	--	--	--	--

A			X	
R				
C				
D				
	IV	III	II	I

Target Risk				
-------------	--	--	--	--

A				
R				
C			X	
D				
	IV	III	II	I

Summary of Current Controls:

1. Value of efficiencies required identified for each respective financial year.
2. Budget process for 2016/17 complete. Balanced budget indicated for 2016/17 and 2017/18.
3. Medium Term Financial Forecast sets out approach in the medium term
4. Corporate programme details planned work to obtain efficiencies – e.g. service reviews
5. Procurement policy sets out approach required to secure best value for money
6. Directorate plan sets out action planning to increase revenue and reduce costs where possible
7. Budget monitoring and reporting process in place

Assurance that Controls are in Place:

1. Medium Term Financial Forecast agreed by Cabinet February 2016
2. Budget agreed by Cabinet and Council in February 2016 and record of meetings.
3. Corporate Programme / Corporate Plan agreed July each year & EMT minutes.
4. Procurement Policy and notes of revisions
5. Directorate plan and DMT minutes demonstrating monitoring.
6. Copies of budget monitoring reports / significant variance to Cabinet included in bi-monthly Financial Update reports.

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
Monitoring of financial developments and forecasting any significant impact.	Head of Resources	Ongoing
Develop ICT Strategy / Roadmap to maximise business efficiency and reduce costs.	Strategic Director Transformation and Resources	December 2016
Progress Service Review Programme	Strategic Director Transformation and Resources	March 2017

Responsibility: Strategic Director, Transformation and Resources / Head of Resources

Target Risk to be achieved by: March 2017

Risk Description: 5. Potential for too many priorities and inadequate staff capacity to pursue all priorities / insufficient corporate resources to implement change

Current Risk

A				
B			X	
C				
D				
	IV	III	II	I

Target Risk

A				
B				
C			X	
D				
	IV	III	II	I

Summary of Current Controls:

1. Directorate and Service Planning in place
2. Corporate objectives drafted
3. Corporate aims in corporate plan
4. Corporate training programme in place

Assurance that Controls are in Place:

1. Process to ensure completion and quality assessment of service and Directorate plans.
2. Process for drafting of corporate objectives in place and integrated into directorate and corporate planning.
3. Copies of training programme / appraisals to develop capacity
4. Project plans and monitoring for key department projects

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
Progress actions in workforce development plan.	Head of Resources / HR Manager	March 2017
Progress corporate development approach to help spread skills and capacity (e.g. Investigation training)	Head of Resources / HR Manager	Ongoing
Progress ICT programme to implement ICT improvements to reduce staff intensive working procedures and enhance service provision (eg. Skype and Office 365)	Strategic Director Transformation & Resources/Head of Resources / ICT Manager	March 2017
Progress service reviews of identified service areas including completion of reviews for Revenues & Benefits and Development Control.	Strategic Director Transformation & Resources/Heads of Service	March 2017
Corporate programme in place and derived from assessment of key projects for all departments and assessment of resources.	Head of Performance	June 2016

Target Risk to be achieved by: March 2017

Responsibility: Executive Management Team

Appendix 1

Risk Description: 6. Rent Income Reduction has resulted in a Housing Revenue Account which is unsustainable in future years.

Current Risk

A				X
B				
C				
D				
	IV	III	II	I

Target Risk

A				
B				
C				X
D				
	IV	III	II	I

Summary of Current Controls:

1. 30 Year HRA Business Plan in place
2. Capital Programme linked to condition survey
3. Budget monitoring & reporting

Assurance that Controls are in Place:

1. Copy of revised HRA Business Plan and minutes of appropriate meetings
2. Copy of revised capital programme
3. Budget monitoring documentation and minutes of appropriate meetings.

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
1. Analysis of Welfare Reform Act	Head of Housing & Communities /	September 2016
2. Review and reduction of capital programme.	Head of Housing & Communities /	March 2016
3. Development of Housing Asset Management Plan	Head of Performance and Service Support	September 2016
4. Analysis of Housing & Planning Act (Higher Value Sales etc)	Head of Housing & Communities	October 2016
5. Development of draft Housing Strategy	Head of Performance & Service Support	March 2017

Responsibility: Head of Housing & Communities

Target Risk to be achieved by: March 2017

Risk Description: 7. Staff morale decreases due to impact of austerity, service reviews and not undertaking core corporate process such as appraisal process.

Current Risk

A	X			
R				
C				
D				
	IV	III	II	I

Target Risk

A				
R				
C		X		
D				
	IV	III	II	I

Summary of Current Controls:

1. Established appraisal process in place.
2. Service reviews include planned approach to staff communication.
3. Staff forum – regular meetings between management and staff.
4. Regular staff surveys.

Assurance that Controls are in Place:

1. Records of appraisals held by individual managers.
2. Service review action plans.
3. Minutes of staff forum.
4. Outcomes from staff surveys.

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
Clarify and strengthen appraisal control requirements including corporate monitoring.	Head of Resources / Human Resource Manager	March 2017
Review approach to staff engagement and feedback including corporate mechanisms such as Staff Forum and assess whether fit for purpose / any other improvement actions.	Head of Resources / Human Resource Manager	March 2017

Responsibility: Head of Resources

Target Risk to be achieved by: March 2017

AUDIT COMMITTEE

19 September 2016

Subject: Treasury Management Activity Mid-Year Report

Report of the: Head of Resources

Report Author: Ian Stapleton – Financial Services Manager

1. Purpose of Report

The mid-year treasury report is a requirement of the Council's reporting procedures. It summarises the Council's treasury management activity for the first five months of the current financial year. Supporting information is provided within Annexes A and B.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

2. Links to Council's priorities and objectives

The scrutiny and approval of the Council's Treasury Management activity is linked to the Council's objective of Improving the Council through sound financial management.

3. Recommendation:

That following scrutiny, the Treasury Management Activity Mid-Year Report for 2016/17 is approved, and submitted to Council.

Resolution required.

4. Treasury Management Activity Mid-Year Report 2016/17

4.1 Introduction

- 4.1.1 Treasury management is:- *“The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*
- 4.1.2 The Code of Practice requires the Council to set annually a Treasury Management Strategy and Investment Strategy. The strategies for the 2016/17 financial year were approved by Council on 24th February 2016.
- 4.1.3 This report confirms that Treasury Management activity during the year to date has been undertaken in accordance with strategy and in consultation, where appropriate, with our external adviser, Capita Asset Services.

4.2 Borrowing

- 4.2.1 There has been no change in the Council's borrowing position from that reported at the end of the previous financial year. Although PWLB rates are at historically low levels, there is no requirement for General Fund borrowing or repayment in the next few years. No change in HRA debt is expected until the first loan matures in 2021.
A summary of external borrowing at 31st August 2016 is shown at Annexe A.
- 4.2.2 Annexe A shows that interest paid on General Fund borrowings and on HRA borrowings for the year to date is as budgeted.

4.3 Investments

- 4.3.1 The investment activity during the year to date conforms to the approved strategy, and the Council has had no liquidity issues. Investments are managed internally using only those institutions which meet the Council's strict investment criteria, within a permissible range of periods, depending on the Council's cash flow and the interest rates on offer.
- 4.3.2 The majority of investments to date in 2016/17 continue to be in AAA-rated Money Market Funds. A Money Market Fund is a pooled source of funds invested in a wide range of short-term investments, and managed by an independent fund management company. Frequently these are well known banks or investment houses. AAA is the highest investment rating available and means that there is very low credit risk in an entity which is awarded that rating.
- 4.3.3 Funds may be deposited with the Debt Management Office (DMO), an executive agency of HM Treasury, but the facility has not been used this year due to the very low rate of interest.
- 4.3.4 With the exception of the DMO, total investments with any one institution do not exceed **£2m**. Internal guidance ensures that at least 60% of investments at any time are placed with institutions rated AAA.
- 4.3.5 The Council on occasion also invests in treasury bills and certificates of deposit. They can achieve slightly better rates of interest and more diversification without

significant loss of security and are regularly used by other local authorities. At 31st August 2016 the Council held **£4.4m** in treasury bills with a maximum maturity of 6 months.

- 4.3.6 Annexe B summarises the Council's temporary investment activities for the year to date. The amount available for investment varies daily according to the Council's aggregate financial position on all activities. At the end of August 2016 the amount invested was **£27.2m** and the average amount invested for the year to date was **£25.9m**.
- 4.3.7 Annexe B also shows that the amount of interest received on investments to date is **£52,067**. This exceeds budget by **£13,767**. The budget for the full year is **£80,000**. Investment rates earned are currently slightly lower than budgeted but investment balances are higher than forecast. The average rate is 0.48%, more than the benchmark 7-day LIBID rate of 0.32% (LIBID or the London Inter Bank Bid Rate is the rate at which major London banks borrow from each other).
- 4.3.8 Any changes required to the interest budgets will be addressed in the forthcoming budget cycle.

4.4 Benchmarking

The current position on three benchmark indicators for 2016/17, explained in the Annual Investment Strategy, is reported as follows:

- Security - Weighted Credit Rating Score for the year to date of 6.1 exceeds the target of 4 (the scale goes from 0 to 7).
- Liquidity – Weighted Average Life is at a reasonably liquid level, currently averaging 36 days.
- Yield – interest received on investments currently exceeds target as reported above.

4.5 Brexit & Economic Uncertainty

- 4.5.1 In June the UK voted to leave the EU and in July the Monetary Policy Committee (MPC) cut base rates to 0.25% from 0.50%. Base rates are forecast to remain at 0.25% until the first half of 2018. There is now long-term uncertainty arising from Brexit and the placing on negative outlook, of the UK Government and some banks, by the major ratings agencies. Consequently the Council will earn lower rates of interests on its temporary investments, and may be further restricted in where it can invest funds.
- 4.5.2 The Council will continue to adhere to strict investment criteria. Security and liquidity remain the priority. The Council will then invest for yield. It is anticipated investments will continue to have a short-term average maturity (less than 2 months) and earn even lower rates of interest. Whilst the interest receivable budget for 2016/17 should not be greatly affected, the estimated interest to be received in future years is expected to be reduced in the budget to be set by the Council in February 2017. Officers will continue to monitor interest rates offered and seek to ensure the best return possible, without compromising security and liquidity, from those counterparties and within limits specified in the Investment Strategy and internal guidance.

5 Corporate Implications

a Legal implications

The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance, including:

- The Local Government Act 2003, and associated Statutory Instruments;
- The CIPFA Prudential Code for Capital Finance in Local Authorities;
- The CIPFA Code of Practice for Treasury Management in the Public Services.

The Council continues to comply with all of the relevant statutory and regulatory requirements.

b Financial implications

Any required changes in interest estimates will be implemented as part of the forthcoming 2017/18 budget cycle.

c Human resource and equality implications

There are no new implications.

d Timescale for implementation and risk factors

A mid-year report is now presented to the Audit Committee during September each year and subsequently reported to Cabinet.

6 Conclusion

The results for the five months to 31st August 2016 continue to demonstrate prudent and efficient treasury management.

Background Papers:

Chartered Institute of Public Finance and Accountancy: *Code of Practice for Treasury Management in the Public Services*.

CPBC: *Treasury Management and Investment Strategy Statement for 2016/17*.

Summary of Loan Transactions and Interest Payable (accrued daily) for the period to 31st August 2016

Loan transactions activity for the period				Interest payable Comparison of estimate with actual		
	Amount o/s 01/04/2016 £	Loans Repaid £	Amount o/s 31/08/2016 £	Budget Profile to 31/08/2016 £	Actual Interest to 31/08/2016 £	Variance 31/08/2016 £
Public Works Loan Board						
General Fund	5,250,000	0	5,250,000	87,500	87,524	-24 0.0%
HRA	36,451,000	0	36,451,000	457,300	457,321	-21 0.0%
Totals for the Council	41,701,000	0	41,701,000	544,800	544,845	-45 0.0%

Interest rates for the period

	Range of loans		Average
	From	To	
General Fund	3.70%	4.10%	3.95%
HRA	2.31%	3.49%	2.98%
Totals for the Council	2.31%	4.10%	3.12%

Base rate history

08/01/2009	1.50%
05/02/2009	1.00%
05/03/2009	0.50%
04/08/2016	0.25%
31/08/2016	0.25%

Summary of Temporary Investments and Interest Received (accrued daily)
for the period to 31st August 2016

Type of Borrower	Amount Invested 01/04/2016 £	Made in the Period £	Repaid in the Period £	Amount Invested 31/08/2016 £
<i>Investments by Value:</i>				
Debt Management Office	0	0	0	0
Treasury bills	3,001,309	4,448,916	3,001,309	4,448,916
Local Authorities	2,000,000	2,000,000	2,000,000	2,000,000
Money Market Funds	14,120,000	36,704,622	32,524,622	18,300,000
Certificates of deposit	0	0	0	0
Notice accounts	1,500,000	0	0	1,500,000
Bank deposits	0	500,000	0	500,000
Investments	20,621,309	43,653,538	37,525,931	26,748,916
Lloyds current account	496,875	0	502	496,373
Cash equivalents	496,875	0	502	496,373
Total	21,118,184	43,653,538	37,526,433	27,245,289
<i>Number of Investment Transactions:</i>				
Debt Management Office	0	0	0	0
Treasury bills	4	5	4	5
Local Authorities	1	1	1	1
Money Market Funds	36	67	47	56
Certificates of deposit	0	0	0	0
Notice accounts	2	0	0	2
Bank deposits	0	1	0	1
Investments	43	74	52	65
Lloyds current account	1	0	0	1
Cash equivalents	1	0	0	1
Total	44	74	52	66

Interest Received on Temporary Investments
for the period to 31st August 2016

Actual Interest Received	£ 52,067
Revised estimate	38,300
Variance	13,767 36%

Temporary Investments

Average Balance for the Period	25,920,958
Average Interest Rate for the Period	0.48%
Benchmark: Average 7-Day LIBID Rate	0.32%

AUDIT COMMITTEE

19th September 2016

Subject: Internal Audit Service, Quarterly Performance Report

1. Purpose of Report

To update the Audit Committee on progress made in delivering the Internal Audit Strategy for 2016/17.

2. Internal Audit Plan Status

Appendix A sets out the current status of the audit work planned for the year as at 31 August 2016. Since the Audit Plan was presented to the Audit Committee in March 2016:

- 2015/16 audits that weren't completed as at June 2016 when the Head of Internal Audit produced her annual report, have been added in
- the Individual Electoral Registration review has been deleted and will be returned to the Risk Watch List for consideration when planning for next year
- most of the contingency has now been allocated (refer to reviews with 'new audit' against them).

Therefore, the contingency now stands at 10 days, having been reduced from the 36 days contained in the original Audit Plan.

Timescales have been agreed for delivering most of the remaining work, with named staff allocated to each audit. Delivery dates are currently being agreed for the work recently contracted out.

3. Audit Opinions and Themes

Appendix B summarised the results of and where appropriate, the audit opinions given on work completed to date.

No significant issues have arisen from the work reported

4. Performance Targets

As at 31 August 2016, the service is on target to deliver sufficient work to enable the Head of Internal Audit to give an annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance arrangements as:

- sickness absence remains low at 0.16 days per FTE compared to a target of under five days per FTE
- productivity is above target at 76.4% compared to a target of 75% (including contractors)
- 19.5% of reports have been finalised, issued to clients or at draft report stage (i.e. the work is substantially complete).

The Public Sector Internal Audit Standards have been updated and came into force on 1 April 2016. The key changes are the inclusion of:

- a Mission Statement
- Core Principles for Professional Practice in Internal Auditing.

These were included in the Charter presented to the Audit Committee in March 2016. A full assessment of the service's compliance with these revised Standards still needs to be completed. The results of this exercise will be reported to the Audit Committee in due course.

Resourcing

The independent Internal Audit service review commissioned by Southend-on-Sea borough Council has now concluded. The service is actively looking to recruit permanent staff over the coming months.

5. Corporate Implications

Financial Implications

The Audit Plan will be delivered within the approved budget.

Any financial implications arising from identifying and managing fraud risk will be considered through the normal financial management processes.

Legal Implications

The UK Public Sector Internal Audit Standards require the Audit Committee to approve (but not direct) the annual Internal Audit Plan and then receive regular updates on its delivery. This report contributes to discharging this duty.

Human Resources and Equality Implications

Human Resources

People issues that are relevant to an audit within the Audit Plan will be considered as part of the review.

Regular updates will be provided to the Audit Committee on how the service is being resourced (as required by the Standards).

Equality Implications

The relevance of equality and diversity will be considered during the initial planning stage of each audit before the Terms of Reference are agreed.

IT and Asset Management Implications

People or asset management issues that are relevant to an audit will be considered as part of the review.

6. Links to Council's Aims, Targets and Objectives

Audit work contributes to the delivery of all of the Council's Aims, Targets and Objectives.

7. Timescale for Implementation

The Audit Plan relates to the 2016/17 financial year.

This is a key piece of evidence available to the Audit Committee when reviewing the Annual Governance Statement, which is also presented to the June Audit Committee.

8. Risk Factors

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact on the Council's ability to deliver its Corporate Aims, Targets and Objectives. A key mitigating factor is the work of the Good Governance Group (the Group). Assurance provided by this Group is summarised in the Quarterly Monitoring Report of the Council's Governance Arrangements.

The main risks the team continues to manage are the:

- loss of in-house staff and the ability of the service to replace this resource at all or in a timely manner
- lack of management capacity to support and process work in a timely manner and provide strategic leadership to the team
- possibility that the external supplier won't deliver contracted out work within the required deadlines to the expected quality standards
- maintaining relationships with clients / partners during a period of uncertainty whilst the service review was undertaken.

Recommendations:

The Audit Committee notes the assurance provided by the audit work completed this quarter.

Background Papers

- The Accounts and Audit Regulations 2015
- UK Public Service Internal Audit Standards
- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards

Appendices

Appendix A Internal Audit Plan 2016/17

Appendix B Audit Opinions and Themes

- 1 • High Assurance
- 2 • Satisfactory Assurance

Report Author: Linda Everard, Head of Internal Audit

Appendix A: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Est spend / income	Fraud risk	Status as at 31 August 2016
Managing the Business				
All Aims				
All	Risk Management To assess whether departments are accurately identifying and taking appropriate action to manage risks effectively.			Work in Progress.
All	Working With Partners (15/16) To assess whether for a number of partnerships there are robust governance arrangements.			Draft report has been discussed with clients and is in the process of being finalised.
<i>Implementing Action Plans</i>				
All	Complaints, Compliments and Comments For the focus of the work, see below* <i>Original report issued April 2016</i>			Planned for Jan to Mar 2017.
All	Procurement For the focus of the work, see below* <i>Original report issued December 2015</i>		√	Work in progress.
Managing Service Delivery Risks				
Aim: Public Health and Wellbeing				
Env	Leisure Services To assess whether the bookings, memberships and other income generating processes are fit for purpose.		√	Terms of Reference agreed. Planned for Oct to Dec 2016.

Appendix A: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Est spend / income	Fraud risk	Status as at 31 August 2016
Aim: Environment				
<i>Implementing Action Plans</i>				
Env	Waste Collection Service For the focus of the work, see below* <i>Original report issued December 2015</i>			Planned for Jan to Mar 2017.
Aim: Transforming Our Community				
<i>Implementing Action Plans</i>				
	Regeneration For the focus of the work, see below* <i>Original report issued November 2015</i>			Draft report produced, with the Head of Internal Audit to review.
Aim: Efficient and Effective Customer Focused Services				
Res	Accounts Payable To assess whether the Accounts Payable system operates efficiently and effectively.		√	Planned for Oct to Dec 2016. Initial scoping meeting booked 2/9
Res	Cyber Security To assess the effectiveness of arrangements in place to protect the Council from cyber-attacks and other online vulnerabilities.		√	Contracted out. Start date to be confirmed.
L&G	Debt Collection (15/16) To assess whether there are robust processes in place to ensure all debt due is cost effectively collected.		√	Draft report produced, with the Head of Internal Audit to review.
H&C	Health and Safety To assess whether actions are addressed when issues arise from health and safety inspections undertaken by South Essex Homes.			Terms of Reference agreed. Planned for Oct to Dec 2016.

Appendix A: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Est spend / income	Fraud risk	Status as at 31 August 2016
H&C	Housing Maintenance Contracts To assess whether this contract(s) is/are effectively managed (still to be selected).		√	Contracted out. Start date to be confirmed.
All	Individual Electoral Registration To confirm that appropriate verification procedures have been applied when implementing Individual Electoral Registration.		√	Delete this year due to a change in priorities. Return to risk watch list.
L&G	Income Collection For a sample of income streams, assess whether all income due is raised in accordance Council policies / fees and charges framework.		√	Planned for Sept to Dec 2016. Initial scoping meeting booked 2/9
Res	IT Disaster Recovery (15/16) To assess whether there are robust plans, systems and processes to ensure the Council's IT systems and data are recoverable following a disaster incident.			Draft report produced, with the Head of Internal Audit to review.
L&G	Leases and Licences To assess whether lease and license records are complete, reviewed in a timely manner and all income due is collected.		√	Terms of Reference produced. Planned for Oct to Dec 2016.
R&N	Planning (New audit) To assess whether planning decisions are being made in line with Council Policy as well as statutory and recognised good practice standards.		√	Draft report produced. Final queries being cleared before being issued to client.
Implementing Action Plans				
H&C	Allocations For the focus of the work, see below* <i>Original report issued July 2015</i>		√	Planned for Oct to Dec 2016.
H&C	Homelessness For the focus of the work, see below* <i>Original report issued June 2015</i>		√	Planned for Oct to Dec 2016.

Appendix A: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Est spend / income	Fraud risk	Status as at 31 August 2016
R&N	Licensing For the focus of the work, see below* <i>Original report issued November 2013, 1st follow up June 2015</i>		√	Work in progress.
H&C	Residential Leaseholder Charging For the focus of the work, see below* <i>Original report issued September 2015</i>		√	Draft report issued Aug 2016.
H&C	Right to Buy For the focus of the work, see below* <i>Original report issued December 2015</i>		√	Draft report produced, with the Head of Internal Audit to review.
R&N	Safeguarding Arrangements (15/16) For the focus of the work, see below* <i>Original report issued</i>			Draft report produced, with the Head of Internal Audit to review.

Key Financial Systems

Aim: Efficient and Effective Customer Focused Services

To assess whether the key controls in each of the key financial systems effectively prevent or detect material errors on a timely basis to ensure that the financial statements are not materially incorrect.

	Outstanding financial systems reports from 2015/16			
	• Council Tax		√	Report issued Aug 2016.
	• Business Rates		√	Report issued Aug 2016.
	• Housing Benefits		√	Report issued Aug 2016.
	• Accounts Receivable		√	Report issued Sept 2016.
	• Housing Rents		√	Report issued Sept 2016.
	• Accounts Payable		√	Report issued Sept 2016.
Res	Accounts Payable		√	Planned for Oct to Dec 2016
H&C	Accounts Receivable		√	Planned for Jan to Mar 2017

Appendix A: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Est spend / income	Fraud risk	Status as at 31 August 2016
H&C	Business Rates		√	Planned for Oct to Dec 2016
H&C	Council Tax		√	Planned for Oct to Dec 2016
Res	General Ledger			Planned for Jan to Mar 2017
H&C	Housing Benefit		√	Planned for Jan to Mar 2017
H&C	Housing Rents		√	Planned for Jan to Mar 2017
H&C	Income Receipting and Banking		√	Planned for Jan to Mar 2017
Res	Payroll		√	Planned for Oct to Dec 2016
Res	Treasury Management		√	Not auditing as assurance going to be carried forward this year.

Grant Claims

Env	Disabled Facilities Capital Grant Determination (New audit)			Work completed. Grant declaration and memo with the Head of Internal Audit to review.
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Advice and Support Work

	Allowances (New audit) To establish whether services are consistently applying the Council's Allowances Policy.		√	Internal management report produced and issued, August 2016.
	Revenues and Benefits Restructure (New audit) To provide critical friend support as systems are being re-designed.		√	First interim memo issued August 2016. Second review in progress.
	Contingency			Stands at 10 days.

Managing Delivery of the Audit Plan

This includes audit planning, resourcing, managing contractor work, reporting to Executive Management Team and Audit Committee.

Dept	Council activity and focus of audit work	Est spend / income	Fraud risk	Status as at 31 August 2016
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Audit Plan Definitions

Departments:

- H&C: Housing and Communities
- Env: Environmental Services
- R&N: Regeneration and Neighbourhoods
- Res: Resources
- L&G: Legal and Governance

- ★ The objective of the work when **revisiting audit reports** is to confirm that action agreed have been effectively implemented and embedded into the day to day operation of the service.

Risk Watch List	
Res	Business Rates Pooling: Rationale and assumptions supporting the decision
R&N	Development Control and Building Control: Once service review is completed
Env	Environmental Health Service: Revisit to review whole service
H&C	Housing Build Projects: Future developments
Env	Houses in Multiple Occupation: Licensing of
All	Information Management: Application of the policy at service level
Res	IT Disaster Recovery: Testing of and potentially follow up of
Env	Private Sector Housing linked to Energy Efficiency Review
Res	Procurement Framework: Does it facilitate cost effective procurement.

These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit.

Appendix B1: Audit Opinion and Themes

Assurance



Key Financial Systems

Objective

To assess whether the key controls in the systems effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's statement of accounts.

Scope and Control Opinions

The audit evaluated the adequacy and effectiveness of the design and operation of the key controls listed in the table below, which also shows the assessed strength of each control.

Accounts Payable

Key controls audited	Strength of control
<ul style="list-style-type: none">New suppliers and amendments to current supplier details are set up accurately and supported by appropriate evidence to confirm their validity.	High
<ul style="list-style-type: none">The correct VAT rates are applied to payments made.	High
<ul style="list-style-type: none">Staff system permissions are configured to ensure payments are authorised in line with the Council's approved Scheme of Delegation.	High
<ul style="list-style-type: none">BACS payment runs are complete, accurate, and appropriately authorised.	High
<ul style="list-style-type: none">Staff access to, and permissions within, the BACS system are restricted according to assigned roles and responsibilities.	High
<ul style="list-style-type: none">Reconciliations between the Accounts Payable and General Ledger systems are complete, accurate and timely.	High
<ul style="list-style-type: none">Staff declare relevant interests and appropriate action is taken to avoid conflicts of interest when allocating work.	Satisfactory
<ul style="list-style-type: none">Staff access to, and permissions within, the Accounts Payable system are restricted, according to assigned roles and responsibilities.	High

Appendix B1: Audit Opinion and Themes

Assurance



Key controls audited	Strength of control
<ul style="list-style-type: none"> Previous audit recommendations have been implemented properly, in a timely manner. 	High

Number of actions agreed: 1

Housing Benefits

Key controls audited	Strength of control
<ul style="list-style-type: none"> Applicable Housing Benefit rates and eligibility parameters are amended accurately and completely on a timely basis. 	High
<ul style="list-style-type: none"> There are appropriate arrangements in place to check that claims are processed by staff accurately, based on the supporting evidence. 	High
<ul style="list-style-type: none"> There are appropriate arrangements in place to check that payments made to claimants are accurate. 	High
<ul style="list-style-type: none"> Reconciliations between the Housing Benefit and General Ledger systems are complete, accurate and timely. 	High
<ul style="list-style-type: none"> Staff declare relevant interests and appropriate action is taken to avoid conflicts of interest when allocating work. 	High
<ul style="list-style-type: none"> Staff access to, and permissions within, the Housing Benefit system are appropriately restricted according to assigned roles and responsibilities. 	High
<ul style="list-style-type: none"> Previous audit recommendations have been implemented properly, in a timely manner. 	High

The issue identified as part of the 2014/15 audit regarding the documenting of routine checks to identify processing errors, has been addressed. Checks on new claims, amendments and overpayments that are completed by the Housing Benefits Manager are now documented and retained.

A new Declaration of Interest Form has also been developed in order to capture any conflicts upon appointment and then as part of the annual declaration process.

Appendix B1: Audit Opinion and Themes

Assurance



Caveat: The audit did not include testing individual claims to ensure they had appropriate supporting evidence or that the calculation is correct, as this is done extensively by External Audit when auditing the Housing Benefit Grant Claim.

Number of actions agreed: 0

Appendix B2: Audit Opinion and Themes

Assurance



Key Financial Systems

Objective

To assess whether the key controls in the systems effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's statement of accounts.

Scope and Control Opinions

The audit evaluated the adequacy and effectiveness of the design and operation of the key controls listed in the table below, which also shows the assessed strength of each control.

Accounts Receivable

Key controls audited	Strength of control
<i>Service areas within the Council</i>	
<ul style="list-style-type: none"> Service areas' instructions to the Accounts Receivable team to raise debts are appropriately reviewed and authorised to confirm they are accurate and supported by appropriate evidence to confirm their validity. 	High
<i>Accounts Receivable Team</i>	
<ul style="list-style-type: none"> All instructions from originating service areas for debtors to be raised are: <ul style="list-style-type: none"> accurately and completely turned into an up to date, official Council invoice, on a timely basis. recorded on the Accounts Receivable system. 	Satisfactory
<ul style="list-style-type: none"> The correct VAT rates are applied to invoices raised. 	High
<ul style="list-style-type: none"> The required escalation process is applied following non-payment of invoices. 	High
<ul style="list-style-type: none"> Parked or Suspended Debt (i.e. debt not being actively pursued) is properly authorised and supported by appropriate evidence to confirm the initial and ongoing validity of the action. 	High
<ul style="list-style-type: none"> Reconciliations between the Accounts Receivable and the General Ledger systems are complete, accurate and timely. 	High

Appendix B2: Audit Opinion and Themes

Assurance



Key controls audited	Strength of control
<ul style="list-style-type: none"> Staff declare relevant interests and appropriate action is taken to avoid conflicts of interest when allocating work. 	High
<ul style="list-style-type: none"> Staff access to, and permissions within, the Accounts Receivable system are restricted, according to assigned roles and responsibilities. 	High
<ul style="list-style-type: none"> Previous audit recommendations have been implemented properly, in a timely manner. 	Satisfactory

Number of actions agreed: 3

Business Rates

Key controls audited	Strength of control
<ul style="list-style-type: none"> The list of business properties in the Business Rates system and on the Local Land and Property Gazetteer is complete, accurate and regularly reconciled to the Valuation Office Agency valuations. 	Satisfactory
<ul style="list-style-type: none"> The total amount of Business Rates to be collected from all businesses is set up accurately and on a timely basis. 	High
<ul style="list-style-type: none"> Discounts for small businesses, empty properties, charity reliefs and exemptions are accurately calculated, authorised and supported by appropriate evidence to confirm their validity, annually. 	High
<ul style="list-style-type: none"> In-year adjustments to Business Rates accounts are accurate, applied promptly and supported by appropriate evidence to confirm their validity (i.e. change of occupancy, change of business use, addition and removal of properties). 	High
<ul style="list-style-type: none"> Correct direct debits are raised and payments received are accurate, complete and allocated to the correct Business Rates account, in a timely manner. 	High
<ul style="list-style-type: none"> Reconciliations between the Business Rates and the General Ledger systems are complete, accurate and timely 	High

Appendix B2: Audit Opinion and Themes

Assurance



Key controls audited	Strength of control
<ul style="list-style-type: none"> Staff declare relevant interests and appropriate action is taken to avoid conflicts of interest when allocating work. 	High
<ul style="list-style-type: none"> Staff access to, and permissions within, the Business Rates system are restricted, according to assigned roles and responsibilities. 	High
<ul style="list-style-type: none"> Previous audit recommendations have been implemented properly, in a timely manner. 	High

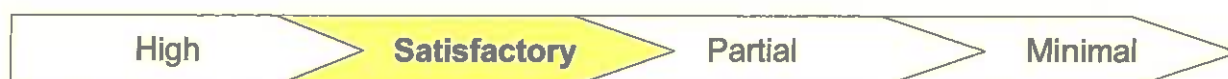
Number of actions agreed: 1

Council Tax

Key controls audited	Strength of control
<ul style="list-style-type: none"> The list of properties in the Council Tax system and the Local Land and Property Gazetteer is complete, accurate and regularly reconciled to the Valuation Office Agency valuations. 	Satisfactory
<ul style="list-style-type: none"> The total amount of Council Tax to be collected from all properties is set up accurately, on a timely basis. 	High
<ul style="list-style-type: none"> Discounts, disregards, exemptions and reliefs are accurately set up, on a timely basis. 	High
<ul style="list-style-type: none"> In-year adjustments to Council Tax accounts are accurate, applied promptly and supported by appropriate evidence to confirm their validity (i.e. change of occupancy, addition and removal of properties). 	High
<ul style="list-style-type: none"> Correct direct debits are raised. 	High
<ul style="list-style-type: none"> Payments received are accurate, complete and allocated to the correct Council Tax account, in a timely manner. 	High
<ul style="list-style-type: none"> Reconciliations between the Council Tax and General Ledger systems are complete, accurate and timely. 	High
<ul style="list-style-type: none"> Staff declare relevant interests and appropriate action is taken to avoid conflicts of interest when allocating work. 	High

Appendix B2: Audit Opinion and Themes

Assurance



Key controls audited	Strength of control
<ul style="list-style-type: none"> Staff access to, and permissions within, the Council Tax system are restricted, according to assigned roles and responsibilities. 	High
<ul style="list-style-type: none"> Previous audit recommendations have been implemented properly, in a timely manner. 	High

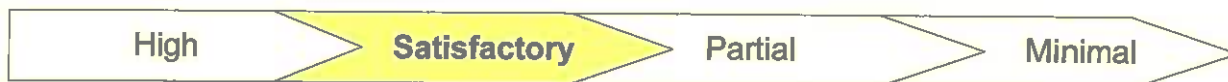
Number of actions agreed: 1

Housing Rents

Key controls audited	Strength of control
<ul style="list-style-type: none"> The list of Council house properties in the Rent system is complete and accurate per the source data, i.e. the Valuation Office Report and Right to Buy notifications. 	High
<ul style="list-style-type: none"> There is an accurate, complete and timely uplift of rents, service charges and other charges. 	High
<ul style="list-style-type: none"> In-year adjustments to rent accounts are accurate, supported by appropriate evidence and authorised (where adjustments include tenants moving in and out of properties, creating new properties and removing demolished properties or properties sold through the right to buy scheme). 	Satisfactory
<ul style="list-style-type: none"> Cash and BACS rental income received is accurate, complete, timely and secure when receipted and posted to the General Ledger and Housing Rents systems. 	High
<ul style="list-style-type: none"> Reconciliations between the Housing Rents and General Ledger systems are complete, accurate and timely. 	High
<ul style="list-style-type: none"> Staff declare relevant interests and appropriate action is taken to avoid conflicts of interest when allocating work. 	Partial

Appendix B2: Audit Opinion and Themes

Assurance



Key controls audited	Strength of control
<ul style="list-style-type: none"> Staff access to, and permissions within, the Housing Rents system: <ul style="list-style-type: none"> are restricted, according to assigned roles and responsibilities enforce separation of duties between closure of tenancy and rent accounts. 	Partial
<ul style="list-style-type: none"> Previous audit recommendations have been implemented properly, in a timely manner. 	Satisfactory

As reported last year, there is no audit trail of staff making any data changes to Housing Rents system. Access rights of Northgate users are not reviewed regularly to ensure only appropriate staff have access. Staff system access reports are available in Infomaker and these should be run and reviewed on a periodic (at least six monthly) basis.

More consistent evidencing is required that staff declaration forms are obtained to capture any conflicts of interest and appropriate action is taken to address any interests declared. This has now been added to the annual staff appraisal process.

Number of actions agreed: 3