



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:	22nd March 2018 at 7.30 p.m.
Venue:	Committee Room 1
Membership:	Councillors Cole (Chairman), Blackwell, Hart, May and Sharp Substitutes: Councillors Acott, Greig, Mumford and Mrs Wass
Officers attending:	Craig Watts, Head of Performance & Service Support Dan Helps, Senior Manager, Counter Fraud & Investigation Directorate Ian Stapleton, Financial Services Manager Linda Everard, Head of Internal Audit
Also attending	Debbie Hanson, Associate Partner, 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 3 January 2018 is attached.
- 4. EY Audit Planning Report Year Ended 31 March 2018**
Report of the External Auditor is attached
- 5. Quarterly Monitoring Report of the Council's Governance Arrangements**
Report of the Head of Performance and Service Support is attached.
- 6. Counter Fraud & Investigation Directorate: Quarterly Performance Report**
Report of the Senior Manager, Counter Fraud & Investigation Directorate is attached.

- 7. Internal Audit Service, Quarterly Performance Report**
Report of the Head of Internal Audit is attached.
- 8. Internal Audit Service, Charter, Strategy and Audit Plan for 2018/19**
Report of the Head of Internal Audit is attached.
- 9. Audit Committee Work Programme for 2018/19**
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 24, February 2018:

- The Audit Committee Role in Risk Management
- Regular Briefing on Current Issues

Agendas and Minutes can be viewed at www.castlepoint.gov.uk

Copies are available in larger print & audio format upon request

If you would like a copy of this agenda in another language or alternative format:
Phone: 0800 917 6564 or email translations@languageline.co.uk



AUDIT COMMITTEE

3rd JANUARY 2018

PRESENT: Councillors Cole (Chairman), Acott*, Hart, May and Mumford*.

Substitute Members Present: Councillor Acott* for Councillor Blackwell and Councillor Mumford* for Councillor Sharp.

Also Present: Councillors Howard MBE and Greig.

Head of Performance and Service Support, Craig Watts, Head of Internal Audit, Linda Everard, Financial Services Manager, Ian Stapleton, External Auditor Dean Bardrick (EY), Revenue & Benefits Transformation Manager, Eddie Mosuro, Senior Manager Counter Fraud and Investigation Directorate, Dan Helps and Forensics Manager, Counter Fraud and Investigation Directorate, Dave Nash were also present.

Apologies for absence: Councillors Blackwell and Sharp.

10. MEMBERS' INTERESTS

There were no disclosures of interest.

11. MINUTES

The Minutes of the meeting held on 18th September 2017 were taken as read and signed as correct.

12. EY GRANT CLAIMS AND RETURNS CERTIFICATION REPORT FOR THE YEAR ENDED 31 MARCH 2017

The External Auditor's Grants Claim and Certification Report for the year ended 31 March 2017 was presented to the Audit Committee.

The Committee noted that the External Auditors had met the submission deadline, and issued a qualification letter on 29 November 2017.

The auditors' certification work had required some amendments to a relatively small number of calculations by the Council and these had resulted in only a marginal effect on the grant due. Two recommendations by the Auditors last year had been implemented by the Council, as set out in the report.

Resolved – That the Grant Claim and Return Certification Report for the year ended 31 March 2017 is noted.

13. EY ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2017

The Audit Committee was presented with a report by the external auditors on the Annual Audit Letter for the year ended 31 March 2017 which summarised the key issues and findings arising from the work carried out by the external auditors.

The Annual Audit Letter attached as an appendix to the report was presented to the Committee by a senior representative of EY.

The Committee noted that there were no significant issues or risks to report, but there was an increase in the final fee for code work above the planned fee and scale fee. This was due to additional audit work completed to gain assurance over the valuation of depreciated replacement cost assets by Wilkes Head and Eve.

Resolved – That the EY Annual Audit Letter for the year ended 31 March 2017 is approved.

14. TREASURY MANAGEMENT AND INVESTMENT STRATEGIES 2018/19:

The Committee was informed that the Council must comply with the Code of Practice – Treasury Management in the Public Services, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). As part of this Code the Council was required to approve an annual Treasury Management and Investment Strategy for the forthcoming year.

The Committee was requested to consider and approve Treasury Management and Investment Strategies for 2018/19 prior to onward submission to Council.

The Committee debated the opportunities and restrictions on additional borrowing to invest in housing. The rules on housing finance, both revenue and capital were complex, but the Committee was assured that additional housing provision was an ongoing consideration.

Following consideration of the report it was:-

Resolved – That the Treasury Management and Investment Strategies for 2018/19 are approved for onward submission to Council on 14 February 2018 as sections 12 and 13 of the overall Policy Framework and Budget Setting Report.

15. QUARTERLY MONITORING REPORT OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS:

The findings from the quarterly monitoring of the governance arrangements in place for the Council were reported to the Committee.

The Head of Performance and Service Support highlighted the monitoring results for key governance processes set out in the report.

The assurance arrangements for community engagement were satisfactory. There were a number of customer satisfaction surveys being undertaken and consultation had also been undertaken to help develop the Council's Corporate Plan, and this had been considered by the Policy and Scrutiny Committee in August and October.

With regard to risk management, a corporate risk register continued to be in place and was subject to monitoring by Executive Management Team (EMT). Risks had been identified as part of the development of team and service planning.

As to partnerships, assurance processes were subject to further development work. It was planned to progress a partnership strategy and framework which would set out the key partnerships and how these linked to the objectives of the authority. Partnership work had also been subject to a report by Internal Audit and progress against the recommendations would be monitored. Initial work included refreshing the Community Strategy to 2021 as a prelude to further development work.

The monitoring of complaints was not fully compliant. Following a refresh of the policy and procedure and the requirement for all complaints at Stage 1 to be monitored, a report produced for EMT in November found that few services had recorded complaints on a routine basis. The issue had been further discussed at OMT when it was agreed that individual services would identify officers that have a role in monitoring complaints to ensure that information was recorded appropriately. The responsibility for the corporate monitoring of the complaints database would be transferring to the Civic Governance Section.

With regard to ethical governance it was reported that satisfactory processes were in place that had been the subject of an audit a few years ago. In the last two years consideration had been given to whether appropriate processes were in place for interests to be declared by those operating key financial systems. Further work would be undertaken by the Good Governance Group to further develop the Council's understanding of what constitutes its ethical governance framework and to understand what evidence it receives throughout the year that is operating as designed.

The Council had implemented an information governance strategy, which was underpinned by associated guidance. The Council was working towards meeting the requirements of the General Data Protection Regulations which were due to be implemented in May 2018.

Following discussion it was -

Resolved – That the assurance provided by the report with regard to the operation of the Council's governance framework is noted.

16. COUNTER FRAUD AND INVESTIGATION DIRECTORATE: QUARTERLY PERFORMANCE REPORT

Dan Helps gave an update on the progress made by the Counter Fraud and Investigation Directorate in delivering the Counter Fraud Strategy and work programme for 2017/18.

The current status of the Proactive Work Programme was set out at Appendix A to the report.

Appendix B set out some examples of the work carried out by the Counter Fraud and Investigation Directorate.

In response to questions from Members, Dan Helps explained the directorate's approach to investigating fraud in Right to Buy applications and Business Rate Exemption Fraud.

It was also confirmed in response to a Member question that the risk assessment workshops planned for delivery to a range of service areas were intended for officers, but that these would be extended to Members next year.

Following discussion it was:-

Resolved – That the performance to date of the Counter Fraud and Investigation Directorate is noted.

17. INTERNAL AUDIT SERVICE, QUARTERLY PERFORMANCE REPORT

A progress report on the delivery of the Internal Audit Strategy for 2017/18 was presented to the Committee.

Appendix A set out the current status of audit work planned for the year as at 30 November 2017. The report highlighted some amendments that had been made since the approval of the plan in March 2017. The plan had also been resourced so that it would be substantially completed by the end of March 2018.

Appendix B summarised the results of the audit work completed this year. No minimal assurance opinions had been issued to date.

As previously reported, the Public Sector Internal Audit Standards required external assessments to be conducted once every five years by a qualified, independent assessor or team, from outside the organisation. The in-house

team's review had been completed in October 2017, and the full report was attached at Appendix C to the report.

The Committee noted that the review had been very challenging in a helpful and supportive way and had been a good learning experience for the staff. The assessment of the team was seen as very fair and showed that it had a good understanding of the standards it was required to work to and that it was very self-aware, in that it continually challenged its operational practices and highlighted appropriate opportunities to improve them. Members of the Committee congratulated the Head of Internal Audit and her team on this outcome.

Resolved – 1. That the progress made in delivering the 2017/18 Internal Audit Strategy is noted.

2. That the amendments to the Audit Plan are approved.

18. RISK MANAGEMENT UPDATE REPORT:

The Committee received an update report on the delivery of the Council's Risk Management Strategy.

At Appendix A to the report was an updated Risk Management Policy Statement and Strategy. This document had been refreshed as highlighted in the Council's Annual Governance Statement. Training sessions for staff on applying the refreshed framework were planned for February 2018.

At Appendix B was the Corporate Risk Register as part of the assurance process that the Council had appropriate arrangements in place to identify and manage its key risks.

The Committee considered each risk in the corporate register, asking appropriate questions and making relevant statements. A number of these were around housing policy at national and local level, the development of the local plan and the Essex 2050 discussions.

Resolved – 1. That the Risk Management Policy Statement and Strategy is approved.

2. That the Corporate Risk Register is noted.

Chairman

AUDIT COMMITTEE

22nd March 2018

Subject: EY Audit Planning Report Year Ended 31 March 2018

1. Purpose of Report

To present the External Auditor's Audit Planning Report for the year ended 31 March 2018 to the Audit Committee.

2. Background

As required by the National Audit Office's 2015 Code of Audit Practice (the Code), the external auditor must produce an audit planning document. This should set out how the auditors intend to carry out their responsibilities in light of their assessment of risk

A senior representative of EY (the appointed External Auditor to the Council) will present this report to the Audit Committee and respond to Members' questions.

3. Corporate Implications

Financial Implications

The prescribed requirements of what needs to be undertaken by the external auditor are defined in the National Audit Office's 2015 Code of Audit Practice and the fee scales are defined by Public Sector Audit Appointments (PSAA) Ltd. The plan and fees proposed reflect the application of these requirements to this Council based upon an assessment of risk which is set out in the Audit Planning Report for the year ended 31 March 2018.

The cost to the Council of external audit for 2017/18 is planned to be £56,265 for the Code Audit and £21,801 for the certification work.

Legal Implications

The Council is required to have an external audit of its activities that complies with the requirements of:

- the Local Audit and Accountability Act 2014
- the National Audit Office's 2015 Code of Audit Practice
- the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd
- Auditing Standards and other professional requirements.

By considering this report, the Committee can satisfy itself that this requirement is being discharged.

Human Resources and Equality Implications

None

IT and Asset Management Implications

None

4. Links to Council's Priorities, Objectives and Targets

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

5. Timescale for Implementation

The Audit Planning Report sets out the timescales within which the work will be delivered.

6. Risk Factors

Poor performance by the Council in the areas subject to review could result in either a qualified audit opinion or value for money conclusion and may also impact adversely on any corporate assessment.

Periodically considering whether the external auditor is delivering the agreed Annual Audit Plan helps mitigate the risk that the Council does not receive an external audit service that complies with the requirement of the Code.

Recommendation

The Audit Committee notes EY's Audit Planning Report for the year ended 31 March 2018.

Background Papers

- National Audit Office's 2015 Code of Audit Practice
- National Audit Office's Work Programme and Scales of Fees 2017/18

Attachments

- Audit Planning Report for the year ended 31 March 2018.

Report Author: Debbie Hanson, Associate Partner, EY

The background of the page is a photograph showing a group of people sitting around a white table. They are looking at and pointing to documents. A smartphone is visible on the table. The scene is brightly lit, suggesting an indoor office or meeting environment.

Castle Point Borough Council Audit planning report

Year ended 31 March 2018

March 2018



Private and Confidential

Castle Point Borough Council
Kiln Rd,
Thundersley,
Benfleet,
SS7 1 TF

Dear Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit. This report is intended solely for the information and use of the Audit Committee and management, and is not to be used by anyone other than these specified parties.

This plan summarises our initial assessment of the key risks driving the development of an effective audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 22 March 2018 as well as understand what factors you consider may influence our audit.

Yours faithfully

Debbie Hanson

For and on behalf of Ernst & Young LLP

Contents

01 Overview of our 2017/18 audit strategy

02 Audit risks

03 Value for Money Risks

04 Audit materiality



06 Audit team

07 Audit timeline

08 Independence

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from [www.psaaltd.co.uk](#). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This report is made solely to the Audit Committee and management of Castle Point Borough Council in accordance with the statement of responsibilities. We do not accept or assume responsibility to anyone other than the Audit Committee and management of Castle Point Borough Council for this report or for any third-party without our prior written consent.



01

Overview of our 2017/18 strategy



Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk/significant risk	No change in risk or focus	As identified in ISA 240, management because of its ability to manipulate accounts and prepare fraudulent financial statements otherwise appear to be operating effectively.
Valuation of property, plant and equipment assets	Higher inherent risk	No change in risk or focus	The fair value of property, plant and equipment in the Council's accounts, being over £1 million, are subject to valuation changes, impacting the financial statements. The valuation of these assets represents a significant estimation and judgement. Management is required to make material estimation techniques to calculate the fair value. The accounting entries arising from the valuation have a significant impact on the Council's financial statements.
Estimation process for IAS19 (pension) liability	Higher inherent risk	No change in risk or focus	The Local Authority Accounting Code requires the Council to make extensive disclosures within its financial statements in respect of its membership of the pension fund administered by the Local Pension Fund. The Council's pension fund deficit is a significant liability which requires that this liability be disclosed in the financial statements. In March 2017 this totalled £40 million. This requires a significant estimation and judgement by the Council's actuary to undertake the calculations.
Earlier accounts deadline	Inherent risk	New risk	The Accounts and Audit Regulations require the preparation and approval of accounts by the Council. The deadline for the preparation and approval of accounts has been moved forward from 31 July to 30 June. This requires the Council to prepare and approve its accounts by 31 July.



Overview of our 2017/18 audit strategy

Materiality

Planning
materiality

£926k

Materiality has been set at £926,000, which represents 2% of the prior years gross expenditure on

Performance
materiality

£694k

Performance materiality has been set at £694,000, which represents 75% of mate

Audit
differences

£46k

We will report all uncorrected misstatements relating to the p
and expenditure statement, balance sheet, movement in rese
housing revenue account , collection fund, and firefighters' pe
than **£46,000**. Other misstatements identified will be commu
attention of the Audit Committee.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, i
circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by refer
to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality



Overview of our 2017/18 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Castle Point Borough Council give a true and fair view of 2018 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable law.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant.

Audit team changes

Key changes to our team for 2017/18, are summarised below.

Debbie Hanson has taken over from Kevin Suter as Associate Partner

Martina Lee has taken over from Dean Bardrick as the engagement manager

Both Debbie and Martina have over 15 years experience auditing the public sector and has extensive experience in public sector audit. Both Debbie and Martina have portfolios which include a range of local government and health authorities and councils.



02

Audit risks

Our response to significant risks

Misstatement due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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.

For the Castle Point Council, we identified the potential for the incorrect classification of revenue spend as capital as a particular area where there is a risk of fraud in revenue recognition.

What will we do?

Our approach will focus on:

- Identifying fraud risks during the audit
- Inquiry of management about the controls in place to address those risks
- Understanding the oversight of management's processes
- Consideration of the effectiveness of the controls to address the risk of fraud
- Determining an appropriate response to the risk of fraud
- Performing mandatory procedures to address fraud risks, including testing of the revenue ledger and other adjustments to the financial statements
- Assessing accounting estimates
- Evaluating the business rationale for the revenue and
- Reviewing capital expenditure to ensure it meets the relevant criteria and should the final sum be material

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

Valuation of property, plant and equipment assets

What is the risk?

The fair value of property, plant and equipment represent significant balances in the Council's accounts, being over £159 million at 31 March 2017. These assets are subject to valuation changes, impairment reviews and depreciation charges.

The valuation of these assets represents a significant accounting estimate as management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. The accounting entries arising from changes in value have a significant impact on the Council's financial statements

What will we do?

We will:

- ▶ Consider the work performed by the valuer, the adequacy of the scope of the work and the results of their work;
- ▶ Sample testing key asset information for their valuation (e.g. floor plans, square metre);
- ▶ Consider the annual cycle of valuation, valued within a 5 year rolling period and annually for IP. We have a list of changes to assets that have occurred and communicated to the valuer;
- ▶ Review assets not subject to valuation, remaining asset base is not material;
- ▶ Consider changes to useful economic life, valuation; and
- ▶ Test accounting entries have been correctly recorded in the financial statements,

Estimation process for IAS19 (pension) liability

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the pension fund administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £40 million. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

What will we do?

We will:

- ▶ Liaise with the auditors of Essex County Council to ensure the information supplied to the Council is correct and up to date;
- ▶ Assess the work of the Pension Fund Actuary, including the assumptions they use, the Consulting Actuaries commissioning the Local Government sector audit, the EY actuarial team; and
- ▶ Review and test the accounting entries recorded in the Council's financial statements

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still in material misstatement to the financial statements and disclosures and therefore may be key audit matters w

What is the risk/area of focus?	What will we do?
<p>Earlier accounts deadline</p> <p>For 2017/18 the Council needs to prepare draft accounts by 31 May and the publish audited accounts by 31 July a challenge and risk for both preparers and auditors.</p> <p>For the Council there are inherent risks to closing the accounts earlier than ever before.</p> <p>As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within the same compressed timetable. Slippage at one client could put delivery of others at risk.</p> <p>To mitigate this risk we will require:</p> <ul style="list-style-type: none"> • good quality draft accounts and supporting working papers by the agreed deadline; • appropriate Council staff to be available throughout the agreed audit period; and • complete and prompt responses to audit questions. <p>If the Council is unable to meet key dates within our agreed timetable, we will notify the Head of Finance of the impact on the timing of your audit, which may be that we postpone the audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.</p> <p>Where we require additional work to complete your audit, due to new risks, scope changes, or poor audit evidence, we will notify the Head of Finance of the impact on the timing of the audit and fees. Such circumstances may result in a delay to your audit while we complete other work elsewhere.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Work with the Council to ensure early substantiation of accounts ▶ Provide an early Statement of Accounts where non-material ▶ Facilitate faster delivery of accounts for Local Authorities with good practice and successful faster ▶ Agree the team to work with you. ▶ Agree the support to complete our team on what co

A woman with dark hair, wearing a brown blazer over a white top, is smiling and looking upwards. She is standing in a modern office environment with a glass ceiling and structural beams visible in the background. A dark grey horizontal bar is overlaid across the middle of the image, containing a yellow hexagon with the number '03' and the text 'Value for Money Risks' in yellow.

03

Value for Money Risks



Value for Money

Background

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.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risks noted on the following page which we view as relevant to our value for money conclusion.

Susta
res
depl



Value for Money Risks

What is the significant Value for Money risk?	What arrangements does the risk affect?	What will we do?
<p>Achievement of savings needed over the medium term</p> <p>The Council faces significant financial challenges over the next three years. While the budget for 2018/19 has been balanced, the MTFS shows future gaps totalling £2.8 million over the next three years, to 2021/22. Over the same period the level of the general fund balance is projected to reduce from £5.5 million at the end of 2017/18 to just over £1.7 million at the end of 2021/22, which is below the current recommended minimum level of £1.9 million.</p> <p>Although the Council is continuing to develop plans to address these gaps, given the scale of the savings needed, there is a risk that savings plans to bridge this gap are not robust and/or achievable.</p>	<ul style="list-style-type: none">➤ Take informed decisions➤ Deploy resources in a sustainable manner➤ Work with partners and other third parties	<p>Our approach will cover:</p> <ul style="list-style-type: none">➤ The robustness of the annual budget and savings plans➤ The Council's projected savings and additional income for 2019/20 budget➤ The savings plan to bridge the gap, whether these plans meet the required savings➤ The adequacy of the savings plan
<p>Development of the Local Plan</p> <p>In November 2017, the Secretary of State wrote a letter to 15 local authorities which had yet to adopt a 2004 Act Local Plan. The Secretary of State expressed concerns about the lack of progress made on plan-making and indicated the possibility of formal intervention if improvements were not made. Castle Point was one of these authorities. The Council responded to the Secretary of State in January 2018 with details of the actions being taken to progress this issue.</p> <p>In light of the importance of the adoption of a local Plan and the challenges the Council has faced, we see this as a risk for our value for money conclusion.</p>	<ul style="list-style-type: none">➤ Take informed decisions➤ Work with partners and other third parties	<p>Our approach will focus on:</p> <ul style="list-style-type: none">➤ The actions being taken to develop the Local Plan➤ The level of engagement with the Secretary of State



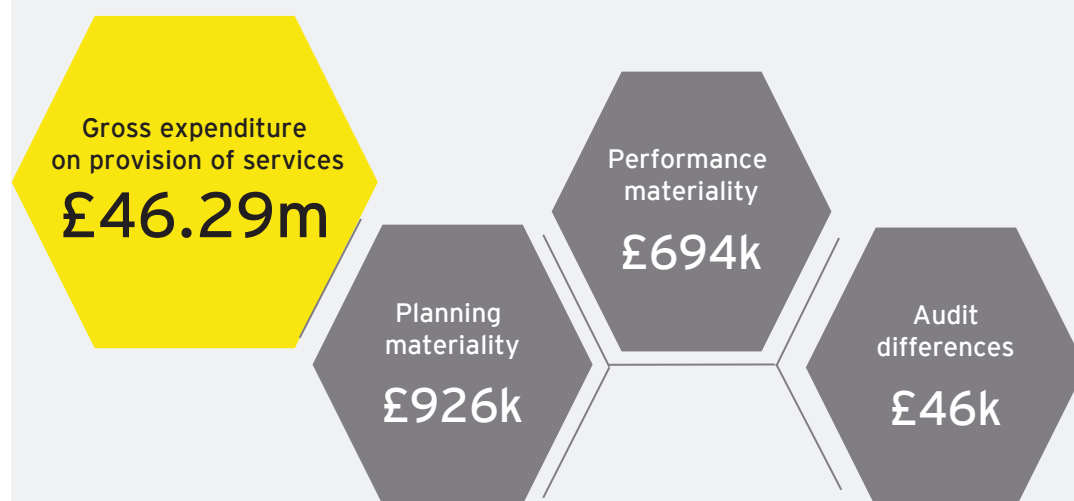
04

Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £926,000. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount of misstatement that would influence the economic decisions of users of the financial statements.

Performance materiality - the amount of misstatement that, in our audit procedures, we have determined to be less than £694,000m which represents 2% of the Council's prior year gross expenditure on provision of services. We have longer a first year client and we are not a GAM.

Only minor disclosure issues for this to 75% is appropriate and failing to identify material misstatements.

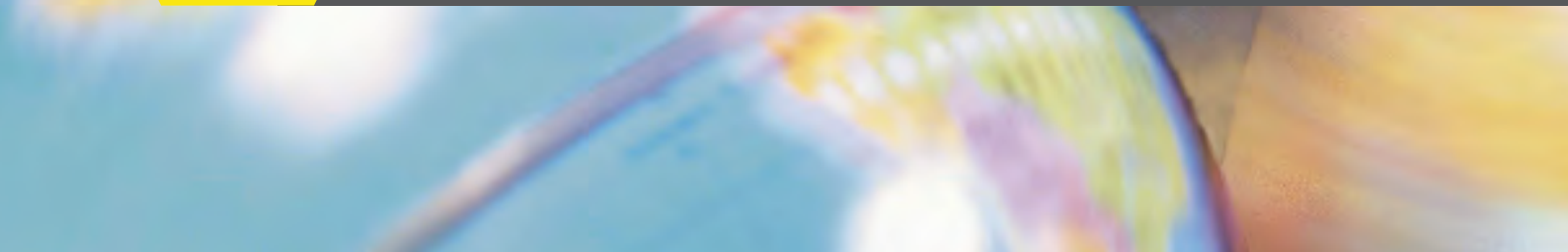
Audit difference threshold - values below this threshold are deemed immaterial. Uncorrected misstatements over income and expenditure statement and collection fund financial statements that relate to other comprehensive income.

Other uncorrected misstatements in the cashflow statement or disclosures, and are communicated to the extent that they are not communicated to the committee, or are important for the understanding of the financial statements.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding;
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Report;
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

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

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

Our intention is to carry out a fully substantive audit in 2017/18 as we believe this to be the most efficient audit approach. We will not rely on individual system controls in 2017/18, the overarching control arrangements form part of our assessment of your financial statements. This will be part of the evidence for your Annual Governance Statement.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified, to management and the Audit Committee.

Internal audit:

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with any other findings, in the year, in our detailed audit planning, where they raise issues that could have an impact on the financial statements.



06

Audit team

Audit team

Audit team structure:

Debbie Hanson
Associate Partner

Julie Kriek
Manager (Interim)
Martina Lee
Manager (Year-end)

Pari Chavan
Senior

EY Pensions
(Pensions
Specialist)

EY Real Estate
(Valuations
Specialist)

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualified for the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of PPE (Other Land & Buildings)	Council Valuer (Wilks Head and Eve) EY Valuations Team (if required)
Pensions Disclosures	Council Actuary (Barnet Waddingham) EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering the available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and the area. For example, we would typically perform the following procedures:

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



07

Audit timeline

Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss these as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverable
Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes	December/January		
Interim audit testing	February/March	Audit Committee	Audit Plan
Year end audit	July		
Audit Completion procedures	July	Audit Committee July (Date not yet confirmed)	Audit Results Audit opinion
Conclusion of reporting	August	Audit Committee October (Date not yet confirmed)	Annual Audit Report



08

Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised, requires us to communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit. Our communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ➤ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ➤ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ➤ The overall assessment of threats and safeguards; ➤ Information about the general policies and process within EY to maintain objectivity and independence. ➤ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard 	<ul style="list-style-type: none"> ➤ In order for you to assess the integrity, objectivity and independence of the auditor, we are required to provide a written disclosure of relationships (including non-audit services) that may bear on our integrity, objectivity and independence, including relationships with the entity, its directors and senior management, and the threats to integrity or objectivity, including those that may be created. We are also required to disclose any safeguards that we have adopted to address such threats, together with any other information necessary for you to be assessed; ➤ Details of non-audit services provided and the fees charged in relation to those services; ➤ Written confirmation that the firm and each covered person is independent of the entity and any non-EY firms used in the group audit or external experts used in the audit; ➤ Written confirmation that all covered persons are independent of the entity and any non-EY firms used in the group audit or external experts used in the audit; ➤ Details of any inconsistencies between FRC Ethical Standard and the services by EY and any apparent breach of that policy; ➤ Details of any contingent fee arrangements for non-audit services provided and ➤ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about the integrity, objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted for, and the amounts of any non-audit services that have been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of audit and non-audit services, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be mitigated. We do not perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and the objectivity and independence of Debbie Hanson, your audit engagement partner and the audit engagement team have been maintained.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees from the Council; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, we do not have any such interests. We believe that it is appropriate for us to undertake permissible non-audit services and where we do so, we will comply with the Financial Reporting Council's Ethical Standards, and the National Audit Office's Auditor Guidance Note 01. The ratio of non-audit services to total fees will not exceed 70%.

At the time of writing, we do not undertake any non-audit work on behalf of the Council. Therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to the audit. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to the audit with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Group. Management threats arise where we provide a non-audit service in relation to which management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other communications

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our Transparency Report, which is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017>



09

Appendices

Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for the Home Department.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Government Finance Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee - Code work	56,265	56,265	59,165
Other	0	0	0
Total audit	56,265	56,265	56,265
Certification of claims and returns	21,801	21,801	20,935
Total other non-audit services	0	0	0
Total fees	77,200	77,200	77,200

All fees exclude VAT

The final fee for 2016/17 Code work was £59,165, as the scale fee does not take account of work completed to gain assurance over replacement cost assets by Wilkes & Partners, approved by PSAA.

The agreed fee for 2017/18 prescribes the following assumptions:

- Officers meeting the agreed time and cost limits;
- Our accounts opinion and value added report are unqualified;
- Appropriate quality of documentation;
- The Council has an effective control system.


If any of the above assumptions prove to be incorrect, a variation to the agreed fee. This will be agreed in advance.

Fees for the auditor's consideration of the accounts and formal objections will be charged.

Appendix B


Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

Required communications	 What is reported?	
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	T f P
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	T f P
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	A
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	A


Appendix B

Required communications with the Audit Committee

Required communications	 What is reported?
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
Misstatements	<ul style="list-style-type: none">▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation▶ The effect of uncorrected misstatements related to prior periods▶ A request that any uncorrected misstatement be corrected▶ Corrected misstatements that are significant▶ Material misstatements corrected by management
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
Related parties	<ul style="list-style-type: none">▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:▶ 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


Appendix B

Required communications with the Audit Committee

Required communications	 What is reported?
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <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
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
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
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit
Representations	Written representations we are requesting from management and/or those charged with governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise

Appendix B

Required communications with the Audit Committee

Required communications	 What is reported?	
Auditors report	<ul style="list-style-type: none">▶ Key audit matters that we will include in our auditor's report▶ Any circumstances identified that affect the form and content of our auditor's report	A
Fee Reporting	<ul style="list-style-type: none">▶ Breakdown of fee information when the audit plan is agreed▶ Breakdown of fee information at the completion of the audit▶ Any non-audit work	A A
Certification work	Summary of certification work undertaken	C

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements; performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of estimates made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that is fair.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the Council to express an opinion on the consolidated financial statements. Reading other information, including the board's statement that the annual report is fair, balanced and reporting appropriately addresses matters communicated by us to the Audit Committee, and whether that information is inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.



Appendix C

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is important to consider the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion on whether the accounts are free from material error, including the total effect of the audit misstatements we identify, and our evaluation of the materiality of those misstatements.

Committee: **AUDIT COMMITTEE**

Date: **22nd March 2018**

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. Consultation has also been undertaken to help develop the Council's corporate plan and this has been considered by the Policy and Scrutiny Committee in August and October last year and March this year.

3.2 Business Strategy and Planning

- 3.2.1 The arrangements for business strategy and planning are adequate. Service plans and team plans are in place. A corporate challenge process for service planning was undertaken in January and found draft plans to be broadly compliant. Highlight reporting to corporate management team remains in operation. Furthermore, a corporate plan was recently considered by Policy and Scrutiny Committee. The plan will also be subject to consultation with staff and partners before being considered by full Council.

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 Cabinet Members monthly. Variances at year end are reported on all service areas, with commentary on those more than +/- £10k, and analysis of changes in income and expenditure from the previous financial year. External assurance will be 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 more than the minimum level recommended by the Council's Chief Finance Officer and has set a balanced budget for 2018/19. Full Council agreed the Policy Framework and Budget Setting report in February 2018 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 still required for the medium term and the Council is undertaking several actions through the efficiency programme and the Commercial Strategy.

3.4 Asset Management

- 3.4.1 There are adequate routine assurance processes for Asset Management, which include quarterly Asset Management meetings, which are integrated into programmed meetings of the Operational Management Team. Significant Asset Management based projects are subject to the Councils project management methodology (PROMPT) and are reported to Cabinet.
- 3.4.2 The corporate Asset Management plan contains an action plan which sets out progress in asset management activities and plans which contribute towards the short, medium and long term aims and objectives of the Council in relation to asset management.
- 3.4.3 A programme of annual planned repairs and maintenance is in place for corporate buildings. Funding provision has been earmarked and completion of all works is planned within the lifetime of the current medium term financial forecast.
- 3.4.4 Contracts are also in existence for statutory inspections and cyclical servicing to corporate buildings primary installations.

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. The policy framework is set out in the Business Planning and Budget Framework and was reported to Cabinet in September.

3.6 Risk Management

- 3.6.1 The Risk Management Policy and Strategy was refreshed and approved by Audit Committee in January 2018. The supporting Procedure Note is in the process of being finalised. Two workshops have been delivered to all senior staff on the refreshed approach, but have particularly focused on:
 - designing and implementing efficient controls that have the right effect on Impact and Likelihood
 - ensuring robust assurances are available when monitoring risk
 - having a consistent understanding of the approved risk appetite of the Council
 - everyone contributing to an effective risk management framework that ensures the Council's overall tolerance for risk is not breached.

- 3.6.2 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 considered by Audit Committee in January this year.

3.7 Health and Safety

- 3.7.1 The Corporate Health and Safety advisory service (CHAS) transferred to Environmental Health Services in April 2017. Whilst a number of key aspects of H&S risk management are currently judged to be compliant, there are several areas of practice within the organisation, which remain only partially compliant with regulatory requirements and relevant good practice guidance.
- 3.7.2 In particular, issues have been highlighted regarding Health and Safety risk management at a service level in a number of cases. CHAS will continue to work with relevant Service Managers, to advise and ensure the initial and ongoing identification of hazards and subsequent management of the risks posed to the health, safety and welfare of employees and others affected by our work activities.

3.8 Business Continuity

- 3.8.1 Satisfactory progress has been made to the business continuity arrangements in place. Services reviewed their business continuity impact assessments during the autumn/winter of this year. Subsequent updating of service level action plans and desktop checks or testing, is scheduled for completion by the spring of 2018. A corporate generic business continuity plan is also in place, which is reviewed annually and subject to full refresh every three years.

3.9 Performance Management

- 3.9.1 Core processes operate satisfactorily, including highlight reporting to Corporate Management Team and the production of a corporate scorecard which is considered quarterly by Cabinet, and was last considered in March.
- 3.9.2 Control arrangements include the production of quarterly reports of performance indicators by all services for consideration by EMT. The last detailed report considered by EMT was in March this year.

3.10 Data Quality

- 3.10.1 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.

3.11 Value for Money

- 3.11.1 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 and these are used to monitor progress and retain understanding of comparative value for money. These were considered by EMT in February 2018.

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 2016 to consider changes in legislative requirements.

3.12 Partnerships

3.12.1 Assurance processes are subject to further development work. A partnership strategy and framework is required to help clarify the arrangements currently in place and how these link to the objectives of the authority. Partnership work was subject to a report by Internal Audit and progress against the recommendations will be monitored. Initial work has included refreshing the Community Strategy to 2021 as a prelude to further development work. This will include the need to incorporate the work of the South Essex 2050 partnership.

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 which is monitored by CMT. The most significant projects this year was the construction of a gym facility at Runnymede which was completed in January, and the construction of two new bungalows at Lawns Court which are due for completion in March 2018.

3.14 Complaints

3.14.1 Whilst there is a complaints system in place, the monitoring of complaints is not fully compliant. Following a refresh of the policy and procedure, and the requirement for all complaints at stage 1 to be monitored, a report produced for consideration by OMT in February found that few services have recorded complaints received on a routine basis. This issue was also further discussed at OMT and it was agreed that a sub-group comprising managers of all front facing services will nominate staff to be responsible for ensuring that complaints are dealt with in accordance with the policy and logged on the corporate database. OMT also agreed some changes to the complaints page on the Council's website so that online complaints are more efficiently routed to the relevant service area.

3.15 Ethical Governance

3.15.1 Satisfactory arrangements are in place, which were subject to audit a few years ago. Over the last two years, consideration has been given as to whether appropriate processes are in place for interests to be declared, by those operating key financial systems. A common code of conduct is also in place along with appropriate mechanisms including a Review Committee.

3.15.2 Over the coming months, some work will be undertaken by the Good Governance Group to:

- further develop the Council's understanding of what constitutes its ethical governance framework
- understand what evidence it gets throughout the year that it is operating as designed.

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.

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.

3.17.2 The General Data Protection Regulation (GDPR) will apply from 25 May 2018, and together with the new Data Protection Act which is currently making its way

through the Parliamentary process will supersede the Data Protection Act 1998. It expands the rights of individuals to control how their personal information is collected and processed, and places a range of new obligations on organisations to be more accountable for data protection. The Council is working towards meeting the requirements of the new Regulations and this work is led by the Head of Law.

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 Efficient and Effective Customer Focussed Services.

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:

The Audit Committee notes the assurance provided by this report with regard to the operation of the Council's governance framework.

Background Papers: Local Code of Governance

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

AUDIT COMMITTEE

22nd March 2018

Subject: Counter Fraud & Investigation Directorate: Quarterly Performance Report.

1. Purpose of Report

To update the Audit Committee on the progress made by the Counter Fraud & Investigation Directorate (CFID) in delivering the Counter Fraud Strategy and work programme for 2017/18.

2. Proactive Work Plan

Appendix A sets out the current status of the tasks contained within the proactive work programme set to be delivered throughout the year.

Council-wide Fraud Risk Assessments

The Fraud Risk Assessments, which were due to take place across all of the authorities that CFID work within i.e. Thurrock, Southend and Castle Point, have not been completed in the time frames initially set out in the 2017/18 work plan. This is due to staff having to be diverted to deal with a resource intensive large scale operation regarding a supplier fraud.

The Council's risk assessments will be taking place in March 2018, with a final report being written by April 2018. Although not ideal, this will allow for the fraud risks to be identified and captured. This information will then be used to support the CFID Strategy for 2018/19 that will be discussed with management in April 2018 and presented to the Audit Committee in July 2018.

Proactive Targeted Operations

The proactive operation that identified 11 properties that caused concern regarding empty property exemptions have been reviewed fully and two have been found to warrant a formal criminal investigation and these will be added to the case management system and passed to an investigator. Details of the work completed by CFID has been passed to the Non-Domestic Rates team to update its system records with.

UK Bribery and Money Laundering compliance review

Having completed a review of the Money Laundering Policy, it was felt that a 'compliance' questionnaire would be best suited to complete a further review; thus ensuring the policy and legislation is being adhered to.

A questionnaire has been completed utilising Meta-Compliance, which will make the questionnaire appear when staff 'log in' to their work system. At present this is being tested at Thurrock Council to ensure that the questionnaire is appropriate and achieves its purpose. Once the testing has been completed, which is anticipated to be April 2018, the Council will roll this out through its IT system, which has this capability.

3. Investigations

A total of **£208,200** of fraud has been detected this year so far, with **£33,000** being recovered. This has not changed from the last report to Audit Committee in January 2018 however this is anticipated to change in Q1 of 2018/19 as matter's progress to the judicial phase of proceedings.

Appendix B shows the number of referrals CFID has received in 2017/18 from departments / residents of the authority as well as the number of referrals in this reporting quarter.

There are five categories:

- Housing Tenancy Fraud
- Right to Buy Fraud
- Revenues & Benefits
- Internal fraud
- External fraud.

It is felt that these categories demonstrate the 'main' areas of investigation that CFID work within and give a varied overview of the risks that the authority faces.

In **Appendix C**, two examples have been provided of the activity that the CFID carry out.

4. National Fraud Initiative

The National Fraud Initiative (NFI) is a national exercise controlled by the Cabinet Office, which pulls together data from a number of sources, including but not exclusively all local authorities. The data provided from various departments within the authority are uploaded to the system so that it can then be matched against the other inputted data. This produces a large amount of 'matches' that are then sent to the relevant authorities by the NFI system.

Local authorities are legally required to investigate recommended 'high priority' matches and update the NFI system with the outcome of these checks.

The CFID management team has reviewed these matches and will be liaising with the departments to ensure they are being reviewed in a timely manner.

A number of the matches that come through this system are anomalies that can be rectified by simple data checking. So, for example, a 'high priority' match can be a tenant ending a Council tenancy on 1st April and starting a new one on 1st April. This would be regarded as a possible Housing Fraud match. These should be dealt with and closed down by services. If a fraud is highlighted then it will be passed back to CFID for investigation.

Appendix D sets out the current status of the NFI matches as at 20 February 2018, for information.

5. Collaborative Working Agreement

The original Service Level Agreement with Thurrock Council for providing Counter Fraud and Investigation services ended in July 2017. This has been extended by mutual agreement of both councils, until the end of March 2018. The intention is to sign a further Collaborative Working Agreement with Thurrock Council, following a fundamental review of the service specification including performance targets, for the service. This work is currently in progress and is being monitored through the Shared Service Board, which includes senior representatives from the Council, Thurrock Council, Southend Borough Council and South Essex Homes. It will inform the development of the 2018/19 CFID Strategy.

6. 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 Regulations 2015 Section 3 requires that:

The relevant authority must ensure that it has a sound system of internal control which:

- *facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- *ensures that the financial and operational management of the authority is effective*
- *includes effective arrangements for the management of risk.*

The work of the Directorate contributes to the delivery of this.

Human Resources and Equality Implications

Human Resources

Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings and prosecution
- seek to recover losses using criminal and civil law
- seek compensation and costs as appropriate.

Equality Implications

None.

IT Implications

None.

Asset Management Implications

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity. This action will benefit the authority by means of returning housing stock to those in need or gaining the assets of those who seek to profit from their criminal behaviour.

7. Links to Council's Priorities, Objectives and Targets

Counter fraud and investigation work contributes to the delivery of all of the Council's Priorities, Objectives and Targets.

8. Timescale for Implementation

The Strategy relates to the 2017/18 financial year.

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

9. Risk Factors

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.

A closer working relationship is being sort with the Internal Audit team to ensure that any overlapping areas of concern can be detected early and corroborative working can be utilised. To assist with this, CFID will produce monthly reports to the Head of Internal Audit detailing its investigations and the appropriate risk area. Other opportunities to share information effectively are also being explored.

Recommendations:

The Audit Committee notes the progress made in delivering the Counter Fraud and Investigation Strategy for 2017/18.

Background Papers

- Annual Fraud Indicator 2017, Identifying the cost of fraud to the UK economy (Crowe Clark Whitehill).

<https://www.croweclarkwhitehill.co.uk/wp-content/uploads/sites/2/2017/11/Annual-fraud-indicator-2017.pdf>

Appendices

Appendix A	Counter Fraud Work Plan for 2017/18
Appendix B	Counter Fraud & Investigation Directorate Performance and Workload
Appendix C	Examples of Counter Fraud & Investigation Directorate Activity
Appendix D	2017 National Fraud Initiative Data Matches

Report Author:

Daniel Helps, Senior Manager, Counter Fraud & Investigation Directorate

Appendix A - Counter Fraud & Investigation Directorate

Counter Fraud Work Plan for 2017/18

Risk area	Tasks	Planned for	Current status
Council-wide	Plan Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> • Environmental Services • Finance & IT • Human Resources • Housing • Revenues & Benefits • Planning. 	Original: June 2017 Revised: March 2018	The project has nominated a Single Point of Contact's from CFID to engage and deliver the project with each Head of Service. This has been delayed due to the large resource intensive investigation conducted into supplier fraud.
Council-wide	Conduct Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> • Environmental Services • Finance & IT • Human Resources • Housing • Revenues & Benefits • Planning. 	Original: July / August 2017 Revised: March 2018	Meetings have taken place with the CFID Investigation Manager and business areas. This project was also delayed to the large resource intensive investigation into supplier fraud.
Council-wide	UK Bribery Act (UKBA) Compliance Review. A questionnaire will be distributed to all Managers to ensure UKBA compliance.	Original: June 2017 Revised: Q1 2018/19	The questionnaire is written and is being tested before being rolled out. This work has been delayed because of IT issues.
Council-wide	Counter Money Laundering (CML) Compliance Review. A questionnaire will be distributed to all staff to ensure CML compliance.	Original: June 2017 Revised: Q1 2018/19	
Council-wide	Process the results from the Fraud Risk Assessment workshops & produce report and action plan	Original: September 2017 Revised: April 2018	Awaiting workshops.
Revenues (NNDR)	Visit every commercial premises that has an 'empty' exemption held on the system to confirm compliance.	Original: October 2017	This has been completed with 11 premises identifying suspected fraud.

Appendix A - Counter Fraud & Investigation Directorate
Counter Fraud Work Plan for 2017/18

Risk area	Tasks	Planned for	Current status
National Fraud Initiative, Data Matching Exercise	Investigate high level recommended data matches until the 2017 exercise is complete.	On-going	<p>Results are being assessed.</p> <p>A number of incidents will be generated by the matching process.</p> <p>The CFID Investigation Manager and Senior Manager have reviewed the matches and are liaising with business areas.</p> <p>Refer Appendix D for current position.</p>

Appendix B: Counter Fraud & Investigation Directorate Performance and Workload 2017/18

	Received 2017/18		Current Workload Q4						Closed Figures 2017/18			
Type of Allegation	Total Referrals Received	Referrals in Q4	Open Investigations	Currently with Intelligence Unit	Investigative Enquires	Prosecution File Preparation	Referred to Legal Services	In the Judicial Process	Closed Investigations	Closed Incidents	RTB Stopped	Property Recovered
Housing /Tenancy	5	0	4	0	2	0	2	0	3	5	0	1
RTB Fraud	6	1	1	1	0	0	0	0	1	6	2	0
Revs & Bens	0	0	0	0	0	0	0	0	5	0	0	0
Internal Fraud	1	0	1	0	1	0	0	0	3	1	0	0
External Fraud	0	0	1	0	1	0	0	0	0	0	0	0
	12	1	7	1	4	0	2	0	12	12	2	1

Appendix C: Examples of Counter Fraud & Investigation Directorate Activity

Right to Buy Applications

An application to purchase a Council owned social housing property can be made by a tenant after they have held a tenancy for a qualifying period and where they meet certain conditions. The longer time a person has held a tenancy, the higher level of discount they receive on the purchase price of the property, up to a maximum of £77,900. The Counter Fraud & Investigation Directorate (CFID) provide support to the Council by reviewing all right to buy applications.

Of the 6 applications reviewed, CFID found that two required further investigation. As a result of this work:

- the tenants withdrew their applications
- possession of the property to remain with the Council and it continues to receive rental income from the two properties
- discounts of £64,000 and £67,000 that would have been granted had the applications gone through, have been saved.

Social Housing Fraud

A report of unlawful subletting of a social housing property was received by CFID which resulted in a criminal investigation being conducted. Investigators identified that the tenant was living at a different address outside of the Castle Point area.

Assistance was obtained from the local Police, who arrested the legal tenant on behalf of CFID. The legal tenant was interviewed by CFID and admitted that they no longer lived in the social housing property.

A full evidential file has been produced and is currently with Legal Services pending a decision on a criminal prosecution.

Appendix D: 2016/17 National Fraud Initiative Data Matches

Update as at February 2018

Castle Point Borough Council (the Council) has received a total of 715 matches as at 20 February 2018 as part of the National Fraud Initiative (NFI) 2016/17.

Background

The NFI issues matches with three different categories - High, Medium and Low - and within those categories highlights certain matches as “recommended”.

Each report has guidance attached to it which advises that the report is filtered so the recommended matches are processed. As such, the Council will normally **only process recommended matches on the high level reports**. However, some departments will process additional matches due to the nature of the report.

The summary table below lists the total number recommended matches for the high level reports and the number of recommended matches cleared.

If a department has processed additional matches, for example relating to deceased data, then additional matches will be classed as recommended.

Current Figures

- The Council received a total of 69 recommended matches across 12 high level reports as a result of the 2016/17 NFI exercise.
- Two high level reports, comprising 22 recommended matches, have been fully processed and completed. This equates to 31.8% of recommended matches.
- 10 reports, comprising 47 high level recommended matches, are left to complete.

Target completion dates are to be confirmed with the respective services.

Report Name	Recommended Matches	Cleared Matches	Comments	Case Proven No. & (£)	Target Completion Dates
2: Housing Benefit Claimants to Student Loans	4	0	Not opened		
14: Housing Benefit Claimants to Payroll	1	0	Not opened		
14.1: Housing Benefit Claimants to Pensions	3	0	Not opened		
31: Housing Benefit Claimants to Housing Tenants	1	0	Not opened		
47.2: Housing Benefit Claimants to Taxi Drivers	2	0	Not opened		
49.1: Housing Benefit Claimants to Benefits Agency Deceased Persons	10	7	70% complete		
66: Payroll to Payroll	0	6	100% complete Matches not recommended but they have been processed.		N/A
80: Payroll to Creditors	0	5	100% complete Matches not recommended but they have been processed.		N/A
81: Payroll to Creditors, address quality	0	2	100% complete Matches not recommended but they have been processed.		N/A

Report Name	Recommended Matches	Cleared Matches	Comments	Case Proven No. & (£)	Target Completion Dates
102.2 and 103.2: Housing Tenants to Housing Tenants, same phone number	14	0	Not opened		
156: Right to Buy to Housing Benefit Claimants	2	0	Not opened		
261: Waiting List to Benefits Agency Deceased Persons	6	0	Not opened		
708: Duplicate records by amount and creditor reference	18	19	100% complete		N/A
709: VAT overpaid	4	4	100% complete		N/A
750: Procurement – Payroll to Companies House (Director)	4	3	75% complete		
TOTAL	69	46			

AUDIT COMMITTEE

22nd March 2018

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 2017/18.

2. Internal Audit Plan Status

Appendix A sets out the current status of the audit work planned for the year as at 23rd February 2018. The only changes made to the Audit Plan since it was last reported to the Audit Committee are that the:

- review of the Development Control Support Team will now only cover process designed and not the effectiveness of application due to staff shortage issues within the team
- Housing Management: Procurement review has been deferred until a decision is made as to whether the Council is going to proceed with this option or not.

The staff responsible for the Council's partnership and safeguarding arrangements as well as delivering its Licensing service, have now transferred to the Head of Housing and Communities. Therefore, the team will brief him on the outstanding audit report issues so these can be taken into account when redesigning these arrangements,

3. Audit Opinions and Themes

Appendix B summarises the results of the audit work completed this year. No minimal assurance opinions have been issued to date.

4. Performance Targets

As at 23 February 2018:

- sickness absence is at 3.33 days per FTE compared to a target of under 5 days per FTE
- in terms of the 27 jobs in the plan:
 - twelve audit reports have been issued or the work has been completed
 - three reports are being produced or are with the Head of Internal Audit for review
 - twelve audits are in progress.

Two further stakeholder surveys have been carried out this quarter, which are summarised in **Appendix C**. The results show continued strength in:

- Internal Audit's knowledge and preparation when scoping an audit
- minimising the impact audits have on service areas in terms of burden and extra workload, as well as being flexible and sensitive to this issue.

The main area of concern highlighted by these surveys was the frequency and timeliness of communications from Internal Audit during the report-drafting period. This is a known issue and is being addressed by actions contained in the Compliance with UK Public Sector Internal Audit Standards Action Plan (see Appendix D below).

Appendix D sets out the actions arising from the:

- Head of Internal Audit's assessment of compliance with the Public Sector Internal Audit Standards as reported in the Annual Report presented to the Audit Committee in June 2017
- independent, external review of compliance completed by the Institute of Internal Auditors in October 2017.

Reasonable progress is being made to address these issues. The action plan will continue to be reported to Audit Committee until all the outstanding actions are complete.

5. Resourcing

A new Senior Auditor joined the team in February 2018 and a current member of the internal team has recently been promoted into the other Senior Auditor post. Therefore, the team now has three of its four Audit Manager / Senior Auditor posts filled. That leaves the combined team with five vacancies out of nine posts (not counting the Head of Internal Audit). However, filling these posts will make a significant difference to the team's ability to manage contractors as well as take on and train new staff going forward.

The intention is to recruit another graduate later this year, to put through the team's professional development scheme.

6. Collaborative Working Agreements

The Council has had two separate Agreements with Southend Borough Council for many years to:

- provide two days a week of a Head of Internal Audit's time
- pool internal audit staff to provide a combined service to both councils.

These arrangements are in the process of being refreshed. Going forward, there will be a Collaborative Working Agreement between the two councils:

- with supporting service specifications covering these services as well as the Business Support Team function
- that will operate until the 30th September 2021.

As part of this process, it has been necessary to restructure the current Head of Internal Audit's role. As a result, the current post holder will be leaving the Council in May 2018 and a joint recruitment exercise is underway.

7. 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.

8. Links to Council's Priorities, Objectives and Targets

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

9. Timescale for Implementation

The Audit Plan relates to the 2017/18 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.

10. 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
- need to maintain relationships with clients / partners until the service has been rebuilt.

Recommendations:

The Audit Committee:

- **notes the progress made in delivering the 2017/18 Internal Audit Strategy**
- **approves the amendments to the Audit Plan.**

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 2017/18 as at 23 February 2018

Appendix B1 Audit Opinion and Summaries: High

Appendix B2 Audit Opinion and Summaries: Satisfactory

Appendix B3 Other Audits

Appendix C Stakeholder Surveys, Compliance with Professional Standards

Appendix D Compliance with UK Public Sector Internal Audit Standards Action Plan as at 23rd February 2018

Report Author: Linda Everard, Head of Internal Audit

Appendix A: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 23rd February 2018 (changes in <i>bold</i>)
Managing the Business			
All Aims			
Res	Business Continuity To assess whether there are effective arrangements in place to enable services (particularly critical ones) to continue to be provided in the event of a disaster occurring.	No	Postponed until 2018/19 when the refreshed corporate business continuity plan will be in place.
Res	Emergency Planning To assess the robustness of the Council's preparedness to respond to a civil emergency under the Civil Contingencies Act 2004.	No	Deleted as contractor could no longer resource.
CG&L/G	Information Governance, General Data Protection Regulation To assess how well the Council is progressing with its preparations for implementing the new requirements of the General Data Protection Regulations, which come into force in May 2018.	No	Work in progress.
Res	IT Risk Identification and Assessment To provide a current assessment of ICT risks within the Council, using an industry recognised ICT risk universe that: <ul style="list-style-type: none"> • highlights where current control strength is in each areas compared to that desired taking into account the potential impact rating • can be used to inform future Audit Plans. 	No	Report issued November 2017.
<i>Implementing Action Plans</i>			
	Working with Partners, Strategic Partnership Framework	No	Deleted. A new audit is planned for 2018/19.

Appendix A: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 23rd February 2018 (changes in bold)
Managing Service Delivery Risks			
Aim: Public Health and Wellbeing			
Env	Leisure Centres, Income Management To assess whether income due from leisure centre bookings, memberships and other non cash sources, is completely and accurately billed for as well as collected in a timely manner.	Yes	Report issued November 2017.
Aim: Environment			
Env	Procurement of Waste Collection Vehicles To assess whether the: <ul style="list-style-type: none"> implementation of the service changes which included the introduction of a chargeable wheeled bin garden waste service and the separate collection of garden and food waste, are consistent with the objectives of the Essex Waste Partnership Board procurement of the new refuse vehicles was administered fairly, without favouritism or bias, in accordance with the Council's Contract Procedure Rules. 	Yes	Work in progress.
<i>Implementing Action Plans</i>			
SD, CS	Safeguarding Arrangements	No	Deleted. A new audit is planned for 2018/19.
Aim: Transforming Our Community			
P	Building Control Redesign To assess the adequacy and effectiveness of the existing arrangements, to enable the Building Control service to operate commercially and in accordance with statutory building regulations.	Yes	Report issued March 2018.
P	Development Control Support Team To assess the adequacy and effectiveness of the Support Team's redesigned operational processes to ensure they are fully embedded into day to day working practices.	Yes	Work in progress.

Appendix A: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 23rd February 2018 (changes in bold)
<i>Implementing Action Plans</i>			
LP&R A	Regeneration Partnership	No	Work in progress.
H	Right to Buy	Yes	Report issued August 2017.
Aim: Efficient and Effective Customer Focused Services			
Res	Accounts Payable, Process System Design and Application To assess whether new process for raising and paying purchase orders as well as posting this spend to the general ledger, has been effectively designed and is operating as designed, in practice.	Yes	Report issued March 2018.
Env	Environmental Health: Noise & Nuisance and Rubbish & Accumulations To assess whether there are robust arrangements in place to ensure that referrals made to selected services within the Environmental Health team are dealt with effectively and appropriate use is made of statutory enforcement powers.	Yes	Report with the Head of Internal Audit to review.
Var	eFinancials, New Accounts Payable Functionality, Post Implementation Review To assess whether the enhanced functionality within the Accounts Payable module of the eFinancials system, was implemented using a recognised good practice approach.	Yes	Report issued March 2018.
H	Health and Safety of Housing Stock To assess whether the Council is obtaining the required health and safety inspections and risk assessments of its housing stock and appropriate action is then taken to address any issues identified.	No	Interim Management Report issued November 2017.
H	Housing Management Business Case Review To assess whether the two business cases relating to Property Management and the Housing Restructure: <ul style="list-style-type: none"> align to good practice governance standards for business cases development contain sufficient information and analysis for management to make informed and effective decisions. 	No	Draft report being discussed with the client.

Appendix A: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 23rd February 2018 (changes in <i>bold</i>)
H	Housing Management: Procurement To provide advice, support and independent challenge during the initial procurement process for contracting out the management of the housing service.	No	Deferred (see summary report).
Var	IDOX System Governance and Change Management To assess whether the Council has a suitable governance framework in place for managing, planning and implementing changes to the IDOX system.	Yes	Report being finalised with clients.
Res	Income Collection For a sample of non-statutory income streams, assess whether all income due is accurately raised and collected fully in accordance with the Council policies / fees and charges framework.	Yes	Report issued August 2017.
CG & L / G	Leases and Licences To assess whether the Council effectively manages its leases and licences, as well as receives all income due from them.	Yes	Draft report being produced.
R&B	Housing Benefits: Risk Assessment of New Claims To assess whether the automated risk profiling arrangements to determine the level of verification checks required to confirm entitlement, are fit for purpose.	Yes	Work in progress.

Implementing Action Plans

P	Approval of Planning Applications	Yes	Draft report being produced.
H	Homelessness	Yes	Deleted. A new audit is planned for 2018/19.
SD, CS	Licensing	Yes	Deleted. A new audit is planned for 2018/19.

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.

Appendix A: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 23rd February 2018 (changes in bold)
Work planned to support 2017/18 Statement of Accounts			
R&B	Business Rates	Yes	Work in progress.
R&B	Council Tax	Yes	Work in progress.
R&B	Housing Benefit	Yes	Work in progress.
R&B	Housing Rents	Yes	Work in progress.
Res	Treasury Management	Yes	Work in progress.
All	Follow up of 2016/17 actions from systems not being audited this year.	Yes	Work in progress.
Grant Claims			
Env	Disabled Facilities Capital Grant Determination To confirm the monies have been spent in accordance with the terms of the grant.	Yes	Completed September 2017.
Advice and Support Work			
Res	Risk Management To update the Council's Risk Management Framework whilst making the arrangements proportionate for the size of the authority, and roll this out across the Council.	No	Policy and Strategy approved by Audit Committee in January 2018. Officer workshops held Feb / Mar 2018. Procure note still to be finalised.
Var	Working with Partners, Safeguarding Arrangements, Regeneration Partnership, Licensing, Homelessness and Allocations To provide independent advice and challenge as new processes are developed or currently working practices strengthened.	No	This work will continue throughout the remainder of 2017/18.

- * 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.

Appendix B1: Audit Opinion and Summaries

Assurance



eFinancials, New Accounts Payable Functionality, Post Implementation Review

Objective

To assess whether the enhanced functionality within the Accounts Payable module of the eFinancials system was implemented using a recognised good practice approach.

Summary

The implementation of the upgrade to the Accounts Payable module of the eFinancials system was well managed and as a result:

- appropriate arrangements were in place to oversee the implementation of the new module, given the scale of the project
- roles and responsibilities between service users, the software provider, Capita and the in-house IT team in implementing the new module, were clearly defined and understood
- testing was carried out on a test system / infrastructure which was representative of the live environment
- end users were sufficiently involved in testing and trained adequately to do this effectively
- the impact of new functionality on the wider system(s) was mitigated through integration testing
- all issues arising from test schedules were properly resolved prior to approval being given by the business to go live
- the go live process was well managed and post go live activities had been planned for.

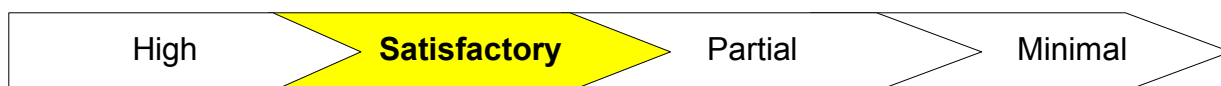
Action is being taken to produce:

- supplementary project management guidance that sets out the additional processes / steps required when managing an IT project
- a Project Assessment and Lessons Learned Report to capture learning from the eFinancials Project as required by the Council's project management framework, PROMPT.

Number of actions agreed: 2

Appendix B2: Audit Opinion and Summaries

Assurance



Accounts Payable, Process System Design and Application

Objective

To assess whether the new process for raising and paying purchase orders as well as posting this spend to the general ledger, has been effectively designed and is operating as designed, in practice.

Summary

The Council has implemented a new module called eInvoicing which provides an Accounts Payable function, to eFinancials which is the financial accounting system. This means that purchase orders must be raised in advance of processing invoices for payment in all cases but a handful of agreed exceptions.

A business case was produced and approved for the project prior to its commencement that considered other possible options. The introduction and rollout of the Account Payable process progressed as planned on a satisfactory basis and is now fully operational. Appropriate training was provided to all staff as part of this process. This has ensured that no major problems were encountered.

Guidance notes are in place that set out a systematic procedure on aspects of the new process. Work is underway to consolidate these into one document, with a defined owner and dates of future review.

The system implemented requires invoices and purchase orders (POP) to either match exactly or for the invoices to be less than the POP value, for them to be processed and paid. This is causing some operational problems and needs to be re-thought.

The Authorised Signatory Lists allow a number of officers to authorise a purpose order or invoice up to the value of their budget, in one transaction. Consideration should be given as to whether this is still appropriate within the new arrangements.

Number of actions agreed: 5

Appendix B3: Other Audits

Building Control Redesign

Objective

To assess the adequacy and effectiveness of the existing Building Control arrangements, to establish whether they enable the service to operate commercially, and in accordance with statutory building regulations.

Summary

The purpose of this audit was to inform an exercise to re-engineer building control processes. In order to support officers to do this, the audit assessed whether current arrangements enable:

- full plan applications to be approved / rejected in line with statutory timescales
- inspections to be undertaken at key progress stages of the building work
- all appropriate checks to be undertaken prior to the issue of the final Building Certificate
- building inspection work to be undertaken on commercial terms or fees for this work to be assessed accurately
- its statutory duties to be discharged or obligations fulfilled in respect of dangerous structures in line with business practice guidelines and timescales
- Demolition Notices to be co-ordinated effectively
- the Building Control function to:
 - liaise effectively with Council Tax, the Post Office and any other bodies in respect of any changes to street naming and numbering
 - protect itself from possible corruption and fraud
 - produce performance and or management information that allows informed decisions to be made about the service's activities.

Opportunities to strengthen these processes have been identified and officers are now working on addressing them. A full audit of the service will be undertaken in future once systems have been redesigned and are fully embedded into day to day operational practices.

Number of actions agreed: 13

Appendix C: Stakeholder Surveys, Compliance with Professional Standards

1. Setting up and planning the audit (PSIAS 1200 / 2200)		
1.1	Did we show a good level of knowledge and understanding of your service when discussing the potential scope and objective to be covered by the audit before fieldwork took place?	100%
2. Performing the audit (PSIAS 2300)		
2.1	Did we work effectively with you when doing the audit to minimise the impact on your service?	100%
2.2	Were we able to talk knowledgeably with you about information provided to us and queries we had during the audit?	100%
3. Communicating results (PSIAS 2400) and Improving governance, risk management and control processes (PSIAS 2100)		
3.1	Did we keep you informed of the progress of the audit and issues arising from the work in timely manner?	67%
3.2	Did we effectively explain to you where we felt action was required to improve your arrangements and why?	100%
3.3	Was the report fair and reflective of the work done by audit and the issues found as discussed with you?	83%
4. Independence and Objectivity (PSIAS 1100)		
4.1	Did we provide relevant evidence to back up our findings if required?	100%
4.2	At the end of the audit, did you understand the rationale for the overall opinion given?	90%
5. Managing the Internal Audit Activity (PSIAS 2000)		
6.1	Do you think internal audit adds value to the Council?	100%

As at February 2018, this reflects the results of two surveys.

Appendix D: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 23rd February 2018

Action required	Current status	Date
Attribute Standards		
1000 Purpose, Authority and Responsibility		
More completely reference the Code of Ethics and unrestricted access elements' in the Audit Charter for all three clients, at the next update.	This has been included in the Charter presented to the March 2018 Audit Committee.	Implemented
1100 Independence and Objectivity		
1110 Organisational Independence		
Re-establish the one-to-one meetings between the HoIA and the Audit Committee.	This will be built into the 2018/19 meeting cycle for both internal and external auditors. It will consist of a 15 minute session before the September (for internal audit) and March (for external audit) meetings.	Implemented
Re-consider the Audit Committee's role in the appointment, remuneration and removal of the HoIA.	This is a joint appointment with Southend Borough Council under a Service Level Agreement. Both councils agree that this post should not be a member appointment. This role will be undertaken by the Shared Service Board for Internal Audit and Counter Fraud & Investigation Services members that use this service, as set out in the new Collaborative Working Agreement.	Implemented
1111 Direct Interaction with the Board		
Re-establish annual Audit Committee performance assessments in line with good practice.	New good practice guidance is due out in March 2018. Once this has been published, an assessment of compliance with it will be produced in conjunction with the Head of Housing and Communities.	HoIA, 31 Dec 2018

Appendix D: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 23rd February 2018

Action required	Current status	Date
1200 Proficiency and Due Professional Care		
1230 Continuing Professional Development		
Continue with the recruitment programme for professional audit staff during 2017/18.	No further recruitment was undertaken in 2017/18. This will be reviewed in April 2018, once the new Senior Auditor has started and the potential to promote internally has been reviewed.	HoIA, Mar 2019
Create and then recruit to the Business Support function that will support both the Internal Audit and Counter Fraud & Investigation Directorate.	The Council now has a team of three who are in the process of taking over the relevant functions from the two teams. This will be reviewed in the summer to determine whether to restructure in order to provide greater flexibility and resilience.	HoIA, Sept 2018
1300 Quality Assurance and Improvement Programme		
Re-introduce cold file reviews when more fully staffed and include a sample of contractor files.	This has now been built into the Audit Strategy presented to Audit Committee in March 2018 and will be implemented as soon as is practical.	To be determined
1311 Internal Assessments		
Reinstate a full set off performance indicators once the team is more fully resourced with in-house staff.	This has now been built into the Audit Strategy presented to Audit Committee in March 2018 and will be implemented as soon as is practical.	To be determined
Reinstate periodic independent review of the self assessment every other year.	This has now been built into the Audit Strategy presented to Audit Committee in March 2018. The next review is due in April 2020.	Implemented

Appendix D: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 23rd February 2018

Action required	Current status	Date
1312 External Assessments		
<p>Determine the approach to be adopted to undertaking the external assessment.</p> <p>Present a report to Castle Point Borough Council's Audit Committee on the proposals for the external review.</p>	This was completed by the Institute of Internal Auditors and reported to the Audit Committee in October 2017.	Implemented
Performance Standards		
2000 Managing the Internal Audit Activity		
2010 Planning		
Update the guidance that sets out how risk in each category within the audit risk assessment, is assessed.	This has been completed as part of the 2018/19 Audit Planning process.	Implemented
Simplify the overall scoring criteria for the audit risk assessment, so that it highlights whether it is a potential audit risk or not (rather than scoring 1 to 4).	This has been completed as part of the 2018/19 Audit Planning process	Implemented
Summarise the activities considered significant enough to warrant periodic, independent challenge by internal audit.	This will be finalised and discussed with the Head of Resources as part of reviewing the level of assurance required from the service going forward.	HoIA, May 2018
Present the list periodically to senior management and the Audit Committee as part of the audit planning process.	This will form part of the papers presented to support the 2019/20 Audit Plan.	HoIA, Mar 2019
<p>Consider how to split out time allocated to a review on:</p> <ul style="list-style-type: none"> pure audit work advice and support. 	This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior management team between Jan and Mar 2018.	AMs, 31 Dec 2018

Appendix D: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 23rd February 2018

Action required	Current status	Date
Update the opinion summary contained within the Audit Manual. Produce a version that can be shared with services to explain how judgements are made on the opinion to be given on each audit.	The Audit Manual now contains opinion summaries for both new audits and when audit reports are revisited.	Implemented
2030 Resource Management		
Put an item on Operational Management Team (OMT) agenda periodically to discuss the progress of the Audit Plan and any changes required.	An item has been added to the standard work programme to take the Audit Plan to OMT in April, October and January each year.	Implemented
2040 Policies and Procedures		
Refresh the Audit Manual and supporting forms to reflect: <ul style="list-style-type: none"> updates in the Standards current working practices any issues arising from the independent external assessment. 	This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior management team between Jan and Mar 2018.	AMs, 31 Dec 2018
2050 Co-ordination and Reliance		
At all clients, further develop the "other assurance" element of the audit risk assessments particularly with regard to corporate business management processes, as part of the 2018/19 audit planning round.	This work has commenced as part of the Audit Planning process. This will be developed throughout the year as audit work is completed.	AMs, 31 Dec 2018
Request that the Good Governance Group (GGG): <ul style="list-style-type: none"> makes this a work stream using all the intelligence it currently has reconsiders the practicalities of building "assurance" into the risk management process as part of the update of the framework currently being undertaken. 	Work with the GGG to integrate all its intelligence into the audit risk assessment in time for producing the 2019/10 Audit Plan.	AMs, 31 Dec 2018

Appendix D: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 23rd February 2018

Action required	Current status	Date
2070 External Service Provider and Organisational Responsibility for Internal Audit		
Fundamentally review the budget needed to effectively manage jobs being completed by contractors as part of the 2018/19 Audit Planning process.	For the 2018/19 Audit Plan, the budget for each individual audit that is to be contracted out will allow for the additional time required to adequately support contractors. <i>(Also see Standard 2030 about Resource Management).</i>	Implemented
2100 Nature of Work		
2110 Governance		
Assess whether an ethical governance audit should be included in 2018/19 Audit Plan.	The Head of Internal Audit and the Head of Housing and Communities are undertaking a piece of work during 2018/19 to set out the Council's ethical governance framework. It was decided not to include such a review until this document is in place.	AMs, Risk assess for 2019/20
	Co-ordinate this with any work done by the Counter Fraud & Investigation Directorate to assess the adequacy of the Council's counter fraud, corruption and bribery governance framework (e.g. via Fighting Fraud & Corruption Locally framework or equivalent good practice).	HoIA, 31 Dec 2018

Appendix D: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 23rd February 2018

Action required	Current status	Date
2200 Engagement Planning		
2210 Engagement Objectives		
Make sure that the audit approach makes the links to performance management as part of the planning process.	This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior management team between Jan and Mar 2018. (Also see Standard 2040 about Policies and Procedures)	AMs, 31 Dec 2018
2300 Performing the Engagement		
2330 Documenting Information		
Set up a project to check all files and destroy whatever is necessary to comply with the Retention Policy.	The Business Support Team is currently working on this project.	BSM, May 2018
2400 Communicating Results		
2410 Criteria for Communicating		
<p>Include an instruction in the operational protocol that meetings should always be held to:</p> <ul style="list-style-type: none"> • feedback findings at the conclusion of fieldwork • discuss the draft report. 	<p>Operational protocol documents for in house staff (Audit Management Checklist) and the “Ways of Working” document with contractors are clear about discussing draft reports with clients.</p> <p>Both documents need to be amended to clarify expectations that:</p> <ul style="list-style-type: none"> • findings will be fed back during the audit, so there are no surprises • all auditors will have a final feedback meeting on conclusion of the fieldwork. 	AMs, Jun 2018

Appendix D: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 23rd February 2018

Action required	Current status	Date
Reassess the reporting templates as part of updating the Audit Manual, to see how underlying issues with the Council's governance arrangements could be highlighted.	This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior management team between Jan and Mar 2018.	AMs, 31 Dec 2018
2420 Quality of Communications		
Build in triggers into the Audit Manual that remind staff to keep clients informed of when reports can be expected and if they are delays in producing them.	<p>Work outstanding is to:</p> <ul style="list-style-type: none"> • amend the Planning, Fieldwork and Reporting sections of the Audit Management Checklist for in house staff • added this to the "Ways of Working" document with contractors. <p><i>(Also see Standard 2030 About Resource Management regarding monitoring delivery of work which also contributes to this action).</i></p>	AMs, Jun 2018
Reinstate target for issuing draft reports once the team is more fully resourced.	This has now been built into the Audit Strategy presented to Audit Committee in March 2018 and will be implemented as soon as is practical.	To be determined
Complete the project on upgrading / refreshing how we use APACE, our time recording / performance management data base.	The Business Support Team is currently working on this project.	BSM, Apr 2018
Use APACE effectively to timetable the delivery of audits and monitor progress against both budgets and timelines.	The Business Support Team is currently working on this project.	BSM, Apr 2018
Finalise the draft audit opinion guidance for new audits.	This has been done and included in the Audit Manual.	Implemented
Produce new guidance on opinions for follow up audits.	This has been done and included in the Audit Manual.	Implemented

Appendix D: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 23rd February 2018

Action required	Current status	Date
Include a requirement in the Audit Manual about: <ul style="list-style-type: none"> issuing the guidance to and discussing it with clients within the draft terms of reference attaching it as an appendix to the report. 	This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior management team between Jan and Mar 2018.	AMs, 31 Dec 2018
2431 Engagement Disclosure of Non- Conformance		
Consider updating the Audit Manual with a small section covering this particular situation and referencing PS2431.	This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior management team between Jan and Mar 2018.	AMs, 31 Dec 2018
2500 Monitoring Progress		
Introduce the process for management to provide the Audit Committee with this assurance for reports with high and satisfactory audit opinions.	The Business Support Team is currently working on this project with company officers.	BSM, May 2018
Finalise the arrangements for reporting to Audit Committee on management sign off of action plans for audit reports with high or satisfactory opinions.	The Business Support Team is currently working on this project with company officers.	BSM, May 2018
Design the content and format of a report to go to Audit Committee, for each client that shows the progress made by services in addressing agreed actions, for each live audit report.	The Business Support Team is currently working on this project with company officers.	BSM, May 2018

Key:

- HoIA, Head of Internal Audit
- AM, Audit Manager
- BSM, Business Support Manager

AUDIT COMMITTEE

22nd March 2018

Subject: Internal Audit Charter, Strategy and Audit Plan for 2018/19

1. Purpose of Report

To present to the Audit Committee, the Internal Audit Charter with the supporting Strategy and Audit Plan for 2018/19.

2. Background

Accounts and Audit Regulations 2015 (Regulations) make it a requirement for internal audit to take into account public sector internal auditing standards or guidance in delivering the service.

The UK Public Sector Internal Audit Standards (the Standards) require the service to produce a:

- Charter
- risk based plan that:
 - takes into account the:
 - requirement to produce an annual internal audit opinion
 - Council's assurance framework.
 - incorporates or is linked to a strategic or high level statement of how:
 - the service will be delivered and developed in accordance with the Charter
 - it links to the Council's Priorities, Objectives and Targets.

3. Charter, Strategy and Audit Plan

In order to comply with the Standards, the approach proposed for delivering the service, is set out in the:

- Charter, that defines the purpose, authority and responsibility of the service
- Strategy, that outlines how the service will be delivered in line with the Charter and includes the:
 - Internal Audit Plan for 2018/19
 - statement showing how audit work completed during the year will provide assurance regarding the mitigation of the Council's strategic risks
 - How We Will Work With You Statement.

The following paragraphs explain key amendments to the documents which were last presented to the Audit Committee in March 2017. These are also highlighted in **bold** within the documents themselves for ease of reference.

4. **Charter (Appendix A)**

The minor amendments made to the Charter this year relate to:

- changes in officer roles
- clarifying that the service needs to have unrestricted access to records , personnel and physical properties relevant to performing audits
- making a clearer statement about the need to conform to the Code of Ethics within the Standards.

5. **Strategy (Appendix B)**

The Strategy sets out:

- the ethical framework audit staff are expected to comply with
- the basis for the audit opinion and the audit approach to be adopted
- the approach to assessing risk and assurance as part of the audit planning process
- the Audit Plan, resource assessment and performance indicators
- how the service will work with key staff, members and groups within the Council
- how the team will operate on a day to day basis
- how it will assess its compliance with relevant professional standards and report upon this.

A few very minor amendments have been made to the Strategy this year. These are cosmetic and don't change the manner in which the audit service provided is delivered under the Collaborative Working Agreement.

As outlined in the Strategy, activities are only considered for inclusion in the Audit Plan if they are assessed as being significant enough to require periodic independent review. The coverage provided within the proposed **Audit Plan for 2018/19 (Appendix B1)** is based upon the audit approach outlined in the Strategy which complies with the requirements of the Standards. It has been discussed by the Executive Management Team.

The Audit Plan will be reviewed late summer to assess whether there are any changes to the risk profile and therefore, the work planned for later in the year. As is usual practice, any proposed future amendments to the Audit Plan will be reported to the Audit Committee for approval.

Appendix B2 identifies where audit reviews provide some assurance regarding the management of the Council's corporate risks.

The full suite of performance indicators are designed to enable the service to demonstrate:

- it provides adequate coverage by delivering sufficient work in year to enable the Head of Internal Audit to give an opinion on the adequacy and effectiveness of the Council's risk management, control and governance arrangements

- its professional competence
- its costs are competitive.

If delivered, this suite of indicators provides evidence that the Council is maintaining an adequate and effective internal audit service that:

- operates in accordance with proper internal audit practices
- also adds value and helps the Council to improve its operations.

The **How We Will Work With You Statement (Appendix B3)** has been revised this year to reflect:

- the change in role for the Head of Resources who now discharges the administrative responsibilities for managing the service, having taken this over from the Strategic Director, Transformation & Resources
- that planning meetings are held with some service managers as well as the Heads of Service.

6. **Corporate Implications**

Financial Implications

Financial risk is one of the categories used when assessing the risk profile of all the activities that the Council delivers.

The Audit Plan will be delivered within the agreed budget for the service.

Legal Implications

The Accounts and Audit Regulations 2015, Section 5 requires the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

The Standards require:

- the Audit Committee to approve (**but not direct**) the annual internal Audit Plan and this report discharges that duty
- the Audit Committee to then receive regular updates on its delivery, as provided by the quarterly performance report
- the Head of Internal Audit to provide an annual audit opinion on the Council's risk management, control and governance arrangements and report on this to the Audit Committee, which is delivered to its July meeting.

Human Resources / Asset Management

People and property risk is one of the categories used when assessing the risk profile of all the activities that the Council delivers.

Resourcing issues relating to the team are covered in the Strategy.

There are no specific asset management implications with regard to this report.

Equality Implications

None.

IT Implications

Not applicable to these documents.

The IT risk assessment is explained in the Strategy document.

7. Links to Council's Priorities, Objectives and Targets

The Audit Plan contributes to the delivery of all of the Council's Priorities, Objectives and Targets.

8. Timescale for Implementation

The Audit Plan covers the 2018/19 financial year although work to deliver this will continue until the Head of Internal Audit's Annual report is produced.

9. 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 Priorities, Objectives and Targets. This risk is being mitigated by the work of the Good Governance Group. Assurance provided by this Group is summarised in the 'Quarterly Monitoring Report of the Council's Governance Arrangements'.

The key team risks are:

- its inability to recruit or retain staff
- that external suppliers won't deliver contracted in work within the required deadlines to the expected quality standards
- that it becomes increasingly difficult to:
 - engage staff in service departments within the audit process
 - obtain information at all or in a timely way, so that a full review can be completed
 - discuss and agree opinions and action plans as the resources to implement them become more stretched.

Additional time has been built into the Audit Plan for managing external contractors.

Internal Audit maintains an audit risk assessment which is explained in the Strategy.

Recommendation:

The Audit Committee approves the Charter, Strategy and Audit Plan for 2018/19.

Background Papers

- The Accounts and Audit Regulations 2015
- UK Public Service Internal Audit Standards
- CIPFA: Local Governance Application Note for the UK Public Sector Internal Audit Standards
- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2010
- CIPFA: Audit Committee Practical Guidance for Local Authorities and A Toolkit for Local Authority Audit Committees.

Appendices

- Appendix A: Internal Audit Charter
- Appendix B: Internal Audit Strategy
 - Appendix B1: Internal Audit Plan for 2018/19
 - Appendix B2: Audit assurance linked to the Council's corporate risks
 - Appendix B3: How We Will Work With You Statement

Report Author: Linda Everard, Head of Internal Audit



Internal Audit Charter

Subject to annual review by the Head of Internal Audit
Reported to the Audit Committee: March 2018

Appendix A: Internal Audit Charter

Introduction

This Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards (the Standards) and the CIPFA Local Government Application Note.

The Charter will be reviewed annually and presented to the Audit Committee for approval.

Service Objective

The key objective for Internal Audit is to complete sufficient work in order to enable it to provide an independent and objective annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes established to enable it to achieve its objectives.

This includes the Council's working arrangements with partners, contractors and third parties.

In doing this, Internal Audit aims to:

- deliver a high quality, cost effective service in line with best practice and professional standards
- work constructively with management to support new developments and major change programmes
- be pragmatic and proportionate with its recommendations, having regard not just to risk, but also the cost of controls
- be flexible and responsive to the needs of the organisation in all its work
- promote an anti-fraud and corruption culture within the organisation.

Responsibilities

Internal Audit is '*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control and governance processes*¹.

In a local authority, internal audit:

- provides independent and objective assurance to the organisation, its Members and the Executive Management Team regarding the design and operation of its risk management, control and governance processes
- assists the Head of Resources in discharging her responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

It is a management responsibility to:

- establish and maintain appropriate governance arrangements and internal control systems

¹ Institute of Internal Auditors

Appendix A: Internal Audit Charter

- ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

Statutory Role

Internal Audit is a statutory service in the context of the Local Audit and Accountability Act 2014 and its supporting Accounts and Audit Regulations 2015, which state in Part 2, Internal Control, Section 5, that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

*Any officer or member of a relevant authority **must**, if required to do so for the purposes of the internal audit:*

- *make available such documents and records*
- *supply such information and explanation*

as are considered necessary by those conducting the internal audit.

This is reinforced by the Standards (1000 Purpose, Authority and Responsibility) which require that Internal Audit be provided with access to records, personnel and physical properties relevant to the performance of engagements.

Internal Audit operates under the Chief Financial Officers statutory authority to visit any Council land or premises should this be required.

This statutory role is set out in the Council’s Detailed Financial Regulations and Procedures.

Independence and Accountability

Internal Auditors must conform to the Standards Code of Ethics as well as those relating to any professional body they are members of. The Code of Ethics includes two essential components i.e.:

- **Principles that are relevant to the profession and practices of internal auditing.**
- **Rules of Conduct that describe behaviour norms expected of internal auditors.**

These are defined in more detail in the Strategy but in cover Integrity, Objectivity, Confidentiality and Competency.

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors have no operational responsibilities. Where the Head of Internal Audit is responsible for other services, arrangements are in place to ensure that any:

- internal audit work in these areas, is subject to appropriate independent review
- conflicts of interest are avoided.

Appendix A: Internal Audit Charter

Internal Audit determines its priorities in consultation with 'Those Charged with Governance'. The Head of Internal Audit has direct access to and freedom to report in her own name and without fear of favour to, all officers and Members and particularly 'Those Charged with Governance' including the Chief Executive and Chair of the Audit Committee. This independence is further safeguarded by ensuring that the Head of Internal Audit's annual appraisal / performance review is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of Audit Committee contribute to this performance review. The Head of Internal Audit must confirm to the Audit Committee, at least annually, on the organisational independence of the service.

Internal Audit may also provide advisory and related client service activities, the nature and scope of which are agreed with the client. They are intended to add value and improve an organisation's risk management, control and governance processes, examples of which include counselling, advice, facilitation and training. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit.

Accountability for the response to the advice and recommendations of Internal Audit lies with management, who either accept and implement the advice or formally reject it.

All Internal Audit staff are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

Internal Audit Scope

The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessments (including those set out within Council's risk registers). Extensive consultation also takes place with key stakeholders.

The framework used for evaluating the Council's risk management, control and governance arrangements (as required by the Standards) is set out in the supporting Strategy.

If circumstances arise whereby assurances are to be provided to parties outside the Council, the nature of and approach to be adopted to providing them will be discussed with relevant senior management.

The Head of Internal Audit can consider accepting proposed consulting engagements (should resources allow), based on their potential to improve the management of risks, add value and improve the organisation's operations. Accepted engagements must also be included in the Audit Plan.

Reporting Lines and Relationships

Responsibility for ensuring that statutory internal audit arrangements are in place has been delegated to the **Head of Resources** who is a member of the Executive Management Team. These arrangements form a key element of the Council's corporate governance framework.

Appendix A: Internal Audit Charter

Therefore the **Head of Resources** discharges the administrative responsibilities for managing the internal audit service whilst it reports functionally to the Audit Committee. Details of the functional role of the Audit Committee in this respect should be set out in its Terms of Reference (including its annual work programme).

In discharging this function role, the Audit Committee receives reports that cover the results of internal audit activity and details of Internal Audit performance, including progress on delivering the Audit Plan.

In addition, Internal Audit provides an annual report and opinion to senior management and the Audit Committee on the adequacy and effectiveness of the Council's system of internal control including its risk management, control and governance arrangements.

The Head of Internal Audit also:

- provides quarterly performance reports on audit matters that the **Head of Resources** presents to the Executive Management Team which includes the Head of Paid Service, Section 151 Officer and Monitoring Officer
- sits on the Council's Good Governance Group which includes the Deputy Section 151 Officer and the Deputy Monitoring Officer and reports to the Executive Management Team.

Full details of how Internal Audit works with key officers, management and Members are set out in the Strategy, Appendix B3, How We Will Work With You Statement.

No information or reports concerning audit work undertaken on behalf of the Council will be released to anyone not working for the Council, without its permission.

Internal Audit Standards

There is a statutory requirement for Internal Audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'UK Public Sector Internal Audit Standards' (the Standards) as defined by the Institute of Internal Auditors (IIA) in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA), which are based upon the International Professional Practices Framework (IPPF). These Standards have been adopted by the Council's Internal Audit Service.

Therefore its Mission (as set out in the IPPF) is '*to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight*'. In delivering this, the service commits to operating in accordance with the IPPF's core principles, which requires that it:

- demonstrates integrity
- demonstrates competence and due professional care
- is objective and free from undue influence (independent)
- aligns with the strategies, objectives and risks of the organisation
- is appropriately positioned and adequately resourced
- demonstrates quality and continuous improvement
- communicates effectively

Appendix A: Internal Audit Charter

- provides risk-based assurance
- is insightful, proactive and future-focused
- promotes organisational improvement.

With regard to the application of these Standards only, the Council's Audit Committee takes the role of the 'board' and Executive Management Team, that of 'senior management'.

In accordance with the Standards, Internal Audit is subject to a quality assurance and improvement regime. This consists of an annual self assessment of the service against the Standards, on-going performance monitoring of individual reviews and an external assessment at least every five years by a suitably qualified, independent assessor. The results of all of this activity are reported to the Executive Management Team and the Audit Committee, along with details of any instances of non-conformance. Where non-conformance is considered significant, this will also be included within the Council's Annual Governance Statement.

The Accounts and Audit Regulations 2015 require local authorities to produce an Annual Governance Statement in accordance with proper practices. CIPFA's Delivering Good Governance guidance has been given 'proper practice' status by the Department for Communities and Local Government for this purpose. Therefore, the Head of Internal Audit aims to comply with the CIPFA Statement on The Role of the Head of Internal Audit in Public Service Organisations 2010, wherever possible, as required by the guidance.

Internal Audit Resources

It is a requirement that Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and maintain their professional competence through an appropriate on-going development programme.

The Head of Internal Audit is responsible for appointing the staff of the Internal Audit Service and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

In addition to in-house audit staff, the Head of Internal Audit may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

The Head of Internal Audit is responsible for ensuring that the resources of the Internal Audit Service are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby she concluded that resources were insufficient, she must formally report this to the **Head of Resources** and, if the position is not resolved, to the Audit Committee.

The Internal Audit budget is reported to Cabinet and Full Council for approval annually as part of the overall Council budget.

Fraud and Corruption

Managing the risk of fraud and corruption is the responsibility of management not Internal Audit. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption to occur.

Appendix A: Internal Audit Charter

The joint Counter Fraud & Investigation Directorate (the Directorate), a public authorities collaboration hosted by Thurrock Council and Southend-on-Sea Borough Council, will investigate allegations of fraud and corruption in line with the Council's Anti-Fraud and Corruption Strategy. The Internal Audit Service will work collaboratively with the Directorate where necessary, to ensure system or process weaknesses identified during investigations are addressed.

The Head of Internal Audit must also be informed of all suspected or detected cases of fraud, corruption, bribery or impropriety in order to consider the adequacy of the relevant controls, and evaluate the implication of fraud and corruption for the annual opinion on the control environment.



Internal Audit Strategy

Subject to annual review by the Head of Internal Audit
Reported to the Audit Committee March 2018

Appendix B: Internal Audit Strategy

Introduction

The Internal Audit Charter sets out the service objective for Internal Audit, which is to provide an annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes, designed to deliver its Priorities, Objectives and Targets.

This Strategy sets out how the service will be delivered and developed in accordance with the Charter and how it links to the delivery of the Council's Priorities, Objectives and Targets.

Code of Ethics

All internal auditors working on the Council's audit will comply with the:

- Code of Ethics contained within the UK Public Sector Internal Audit Standards (the Standards) which define:
 - principles that are relevant to the profession and practice of internal auditing
 - rules of conduct that describe behaviour norms expected of internal auditors.
- ethical standards of any professional body they are members of
- Nolan Committee'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 internal auditors establishes trust and this provides the basis for reliance on their judgement.
- Internal auditors:
 - 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.
- Internal auditors 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.
- Internal auditors apply the knowledge, skills and experience (**competency**) needed in the performance of internal auditing services.

Inappropriate disclosure of information or breaches of the Code of Ethics by internal auditors could be a disciplinary offence.

All staff working on the Council's audit will be required to sign an Ethical Governance Statement. In house staff will be required to declare any interests prior to starting an audit and to formally update their statement as part of their six monthly appraisal meeting.

Appendix B: Internal Audit Strategy

Basis for Annual Audit Opinion

In summary, the audit opinion will be based upon an assessment of:

- the design and operation of the key processes operated by the Council in order to manage its business (e.g. governance arrangements)
- the range of individual opinions arising from risk-based and other audit assignments delivered during the year (e.g. service activities and financial systems)
- an assessment of how robustly actions agreed are implemented and whether this is achieved in a timely manner
- the outcome of any other relevant work undertaken (whether internally or externally) where independence assurance is provided about the operation or performance of a service / system.

Audit Approach

The audit approach is designed to provide the Council with assurance that its risk management, control and governance processes are robust enough to ensure its Priorities, Objectives and Targets will be delivered.

It also takes into account, where applicable, the need for the Council to gain assurance that any partnership or other agreement to which it is party, is also operating successfully to this achieve this end.

The framework used for evaluating the Council's risk management, control and governance arrangements (as required by the Standards) is set out below.

Governance

Over a suitable period, an assessment will be made of the adequacy of governance process in accomplishing the following objectives:

- promoting appropriate ethics and values within the Council
- ensuring effective organisational performance management and accountability
- communicating risk and control information to appropriate areas of the Council
- co-ordinating the activities of, and communicating information among, the Audit Committee, external and internal auditors and management.

In doing this, Internal Audit will:

- evaluate the design, implementation and effectiveness of ethics-related objectives, programme and activities
- assess whether the information technology governance supports the delivery of the Council's Priorities, Objectives and Targets.

Risk Management

In determining how effective risk management arrangements are, assessments will be made of whether:

Appendix B: Internal Audit Strategy

- the Council's Priorities, Objectives and Targets support and align with its Vision
- significant risks are identified and assessed
- appropriate risk responses are selected that align risks with the Council's risk appetite
- relevant risk information is captured and communicated in a timely manner across the Council, enabling staff, management, Members and the Audit Committee to carry out their responsibilities.

This information will be gathered from many sources including audit assignments undertaken each year.

Risk exposures relating to governance, operations and information systems will also be evaluated regarding the:

- achievement of the Council's strategic Priorities, Objectives and Targets
- reliability and integrity of financial and operational information
- effectiveness and efficiency of operations and programmes
- safeguarding of assets
- compliance with laws, regulations, policies, procedures and contracts.

Internal Audit will also evaluate the potential for the occurrence of fraud, corruption, bribery, theft or financial irregularities and how the Council manages these risks.

Control

An evaluation will be made of the adequacy, effectiveness and efficiency of controls in responding to risks within the Council's governance, operations and information systems (taking into account the same areas outlined in the bullet points in the risk exposures paragraph above).

Types of Assurance Provided

Audit assignments will apply one or a combination of approaches which include assessing:

- the adequacy of system design
- whether:
 - key controls within a system, process or service are operating effectively
 - outcomes from systems, processes or services are in line with expectations.

Internal Audit will make recommendations for improving any services, systems or processes audited with a view to promoting continuous improvement.

Any knowledge gained from consultancy engagements will be incorporated into the evaluation of the Council's, risk management, control and governance processes.

Appendix B: Internal Audit Strategy

Limitations

Internal Audit will not:

- assume management responsibilities
- control the risks of the Council
- establish and maintain any systems of internal control
- determine operational policies or procedures
- necessarily detect fraud, corruption, bribery, theft or financial irregularities as part of its work as management is responsible for mitigating these risks.

Risk Assessment

A risk based approach will be used to identify areas for review, which takes into account the risk maturity of the Council. The risk assessment will be based on professional judgement but will be informed by:

- key corporate and service level documents (e.g. plans and risk registers)
- regular discussions with the **Head of Resources** and the **Head of Housing and Communities**
- at least annual discussions with Heads of Service, the Head of Law & Deputy Monitoring Officer **as well as service managers involved in higher risk activities**
- the work of the Good Governance Group
- the audit risk assessment
- horizon scanning to establish potential new risks that may materialise during the year
- outcomes from other relevant, independent audits, inspections or work undertaken.

An audit risk assessment will be maintained which includes all service activities as well as key financial systems and business management processes. This helps identify activities that:

- are 'higher risk' because, for example, they are inherently complex, material or susceptible to fraud but well controlled
- will not be audited unless a specific, one-off risk arises or their general risk profiles increases.

It is more important for higher risk activities, that management obtain periodic, independent evidence that the controls remain appropriate and are consistently applied. A significant control failure in these areas could have a serious impact on the Council's ability to deliver its services and overall Priorities, Objectives and Targets.

In assessing the level of assurance required and therefore the priority attached to each Council service, account will be taken of:

- financial risk
- outward facing risks (including reputational risk)

Appendix B: Internal Audit Strategy

- operational risks (including those relating to partnerships)
- legal and political risks
- people and property risks (including health & safety and safeguarding)
- inherent risk (including that of fraud).

The audit risk assessments will be discussed at least annually with the **Head of Resources**, the **Head of Housing and Communities** and other key Heads of Service. An annual assessment will be made with the Head of Resources as to whether any assurance is required regarding key financial systems to support the production of the Statement of Accounts.

Internal Audit will decide which action plans to revisit on a risk basis. Where it is determined that further work is required to ensure agreed actions have been properly implemented, this will involve re-testing to ensure:

- this is the case
- the strengthened control arrangements are firmly established in the day to day running of the service.

Assurance Framework

Before producing the Audit Plan, an assessment will be made of the evidence already available regarding the:

- operation of individual services
- management of corporate, strategic or operational risks
- effectiveness of the Council's governance arrangements.

This evidence will be recorded as part of the audit risk assessment documentation. As part of the planning audit, the value of this evidence will be evaluated by assessing:

- what risks and controls such assurance covers
- at what stage in the process it takes effect (see Three Lines of Defence model outlined below) and therefore how quickly it would mitigate the risk
- how reliable it is, which is likely to include some re-performance work to confirm the validity of the findings before it is relied upon for audit purposes.

Coordinating the Three Lines of Defence

First Line of Defence	Second Line of Defence	Third Line of Defence
Risk Owners / Managers	Risk Control and Compliance	Risk Assurance
Operational management	Corporate management type functions	Internal Audit
Delivers the service	Limited independence	Greater independence
Reports through the normal line management structure	Reports primarily to management	Reports to the Audit Committee

Appendix B: Internal Audit Strategy

Audit Plan

As at March 2018, the combined service still has five vacancies out of nine auditor posts. Therefore, the service will remain heavily reliant on external contractors during the year, which will reduce the number of days that can be delivered from each Council's internal audit budget. **The intention is to recruit another graduate during the year to go through the team's professional development scheme.**

In the interim, a staff resource needs assessment will be maintained for the in-house resource to calculate the capacity of this element of the service. A view will then be taken about external resources required to:

- cover vacancies
- deliver audits that require specialist skills.

A programme of audits will be agreed with senior management based on the assessment of risk outlined above. The Audit Plan will:

- mainly focus on:
 - risk based reviews that assess how well core services are being delivered
 - revisiting previous audits to ensure that agreed action plans have been properly implemented, so the controls are fully embedded in the day to day operations of the service or process.
- include time for:
 - some work on:
 - the Council's arrangements for managing its business
 - key financial systems and grant claims
 - providing advice and support.
 - audit planning, managing audit plan delivery which includes managing contractors; and reporting.

Therefore the Audit Plan, attached at **Appendix B1**, reflects the results of the risk assessment and the information gathered about the Council's assurance framework. It shows how the work will provide evidence that risks relating to the delivery of the corporate Priorities, Objectives and Targets are being managed effectively. Contractor work will be front loaded with a view to it being substantially complete by 31 December. **Appendix B2** maps audit work against corporate risks.

There is no contingency within the Audit Plan. Therefore, any risks that arise during the year will be considered against the risk profile of the work already planned before:

- a review is deleted and replaced by a new audit
- additional audit resource is purchased if necessary, in exceptional circumstances.

Consultancy engagements, if accepted in year, will also be included in the Audit Plan.

Appendix B: Internal Audit Strategy

Changes to the Audit Plan will be reported to senior management for review and the Audit Committee for approval.

Fraud and corruption risks will be considered when determining the focus of each relevant audit. Any investigations into fraud, corruption, bribery, theft or financial irregularities that arise will be undertaken by the Counter Fraud & Investigation Directorate (the Directorate) under the Collaborative Working Agreement the Council has with Thurrock Council. The Internal Audit team will work closely with the Directorate to ensure an effective and integrated service is provided.

Resources

Southend-on-Sea Borough Council and Castle Point Borough Council have signed a **Collaborative Working Agreement that includes three service specifications that cover:**

- **the Head of Internal Audit post**
- **pooling resources to provide an internal audit service to both councils and others**
- **contributing to the cost of providing the service with professional business support.**

The core team is then supplemented as required, by resources obtained via framework contracts with external suppliers.

The longer term strategy is still to increase the number of in-house staff. However, although the intention is to contract out less work, it is still to continue with this mixed economy approach to resourcing the service. This is as long as costs remain competitive, productivity is high and quality standards are met, as measured by delivery of the agreed performance indicators.

Work will be allocated to staff with the appropriate skills, experience and competence to complete it. Where the Head of Internal Audit is responsible for an area being audited, arrangements will be made for the work to be supervised and reviewed by an appropriately qualified person from outside the service.

Up to date job profiles will be maintained reflecting modern professional requirements. They were last revised and job evaluated (by Southend-on-Sea Borough Council) in November 2016.

Staff will not be allowed to audit the same area for more than three consecutive years thus preventing over-familiarity and complacency that could influence objectivity.

Training and Development

Staff development needs will be continually assessed and fed into the service's training plan to ensure that appropriate skills are available to deliver the Strategy. Consideration will also be given to the need for staff to meet mandatory continued professional development requirements.

Staff will maintain individual training logs that satisfy relevant professional standards. These will be reviewed by line managers at least every six months as part of the corporate performance appraisal process.

Appendix B: Internal Audit Strategy

Opportunities to purchase tailored training with other organisations will continue to be explored.

Service Performance Indicators

When the service is more fully resourced and settled, the suite of indicators that will be used to measure performance will cover economy, staff productivity, efficiency and effectiveness and consist of:

- delivering 100% of the Audit Plan by the 30 April
- issuing draft reports to the service within 15 days of the final meeting to discuss the findings from the fieldwork
- delivering 75% of total available staff days on delivering the Audit Plan
- losing less than five days per full time equivalent due to sickness absence
- operating in the manner set out in the Standards at team and individual audit level as evidenced by:
 - the annual internal **review completed by the Head of Internal Audit**
 - five yearly **independent**, external performance assessments.
- completing a representative sample of stakeholder surveys that assess compliance with element of the Standards:
 - reporting the results regularly to the Audit Committee, with actions to be taken to improve performance, where required
 - reflecting the results in the annual performance assessment reported upon in the Head of Internal Audit Annual Report.
- discharging the duties set out in the CIPFA Statement on the Head of Internal Audit role, wherever possible
- demonstrating periodically, that the cost of the service is competitive.

For 2018/19, performance targets will consist of:

- delivering 100% of the Audit Plan by the **July** Audit Committee
- those relating to sickness and stakeholder surveys.

Performance against relevant targets set will be reported to senior management and the Audit Committee each quarter.

Service Risk Register

Internal Audit will maintain 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.

Delivering Audit Assignments

An audit 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 auditors obtain and record sufficient evidence to support their conclusions, professional judgements and recommendations.

Appendix B: Internal Audit Strategy

The standard of files will be such that an experienced auditor, with no previous connection with the audit, will be able to ascertain what work was performed, re-perform it if necessary and support the conclusions reached.

The service will adhere to the Council's clear desk policy with regard to client information and audit files.

Audit files will be retained in accordance with the Council's file retention and disposal policy **and comply with the General Data Protection Regulation requirements.**

Generally audit files and records are confidential. They will only be shared with the service being audited and external audit. If wider distribution is required, permission must first be obtained from the Head of Internal Audit.

How We Will Work With You

Appendix B3 sets out how the service will work with key officers, management and members within the Council, which includes details of who will receive key documents and reports.

Internal Audit will liaise with senior management regarding the timing of individual assignments wherever possible.

Terms of Reference and Draft Reports will be discussed and agreed to be factually correct with service managers before being finalised with the Strategic Director or Heads of Service.

Distribution lists are contained on the front of each report and are agreed in principle, with senior management.

Internal Audit reports contain a disclosure stating they should not be shared with anyone else without the permission of the Head of Internal Audit.

Audit reports will generally be designed to:

- give an opinion on the risk and controls in the area under review
- set out the issues arising, detail the action management is going to take to address them, identify who is accountable for each action and note appropriate delivery dates.

Those weaknesses giving rise to significant risks that are not agreed will be brought to the attention of senior management and if necessary the Audit Committee.

The Head of Internal Audit Annual Report will include:

- an annual opinion on the adequacy and effectiveness of the Council's, risk management, control and governance processes
- a summary of work completed
- a statement of conformance with the Standards and the results of the Quality Assurance and Improvement Programme
- a comparison of actual work completed compared to what was planned as well as performance against its targets
- issues relevant to the preparation of the Annual Governance Statement

Appendix B: Internal Audit Strategy

- progress in dealing with issues arising from any external performance assessment.

Audit Committee

To support the work of the Audit Committee, Internal Audit will:

- develop agendas and attend meetings
- facilitate the Committee's review of its own remit and effectiveness, if required
- help identify any training needs and work with others to ensure that these are met.

External Audit

Internal Audit will maintain an appropriate working relationship with the Council's external auditors, sharing documentation and reports as required to support the audit of the Statement of Accounts and any other work undertaken.

Partners

Internal Audit will continue to explore opportunities to work effectively with internal audit services of partner organisations where this is beneficial. It will continue to look to make best use of joint audit resources as well as provide opportunities to share learning and good practice.

Quality Assurance and Improvement Programme

The service will maintain a quality assurance and improvement programme that covers all aspects of internal audit activity. The internal assessment will reflect feedback obtained from:

- ongoing supervision and review of individual assignments
- stakeholder surveys
- regular monitoring of service delivery via agreed performance targets
- an annual self assessment of compliance with the Standards
- a periodic assessment of compliance with the CIPFA Statement on the Role of the Head of Internal Audit in Local Government, if completed.

Opportunities for peer reviews or independent challenge of the self assessment will continue to be proactively explored.

The combined Internal Audit Service is required to have an external assessment of its compliance with the Standards, at least every five years by a qualified, independent assessor from outside the organisation. **This was undertaken by the Institute of Internal Auditors in October 2017.**

When this assessment is next due, the Head of Internal Audit must (as per the Standards section 1312) discuss and agree with the Audit Committee the:

- form of external assessment (e.g. full external assessment or self assessment with independent validation)

Appendix B: Internal Audit Strategy

- qualification and independence of the external assessor including any potential conflict of interest risks
- person who will act as the internal sponsor for this process.

The results of this assessment will be shared with both councils and South Essex Homes.

The results of the quality assurance programme will be reported upon in the Head of Internal Audit's Annual Report. Progress made against any improvement plans will be reported to senior management and the Audit Committee.

Appendices

- **Appendix B1: Internal Audit Plan for 2018/19**
- **Appendix B2: Audit assurance linked to the Council's corporate risks**
- **Appendix B3: How We Will Work With You Statement**

Appendix B1: Internal Audit Plan for 2018/19

Dept	Service Activity	Fraud risk	Focus of the Audit
Managing the Business			
All Aims			
Res	Emergency Planning	No	To assess the robustness of the Council's preparedness to respond to a civil emergency under the Civil Contingencies Act 2004.
SD, MO	Information Governance, General Data Protection Regulation	No	To assess whether Council is suitably compliant with the requirements of GDPR.
Res	IT Strategy	No	To assess whether the IT Strategy supports the development, maintenance and enhancement of IT systems, to enable the achievement of wider business objectives.
Managing Service Delivery Risks			
Aim: Public Health and Wellbeing			
H&C	Homelessness	Yes	To assess whether the Council has a clear strategy and appropriate arrangements in place for dealing with homelessness, in line with the Homelessness Reduction Act 2017.
Aim: Environment			
	None		
Aim: Transforming Our Community			
H&C	HRA New Property Build Projects		To assess whether appropriate business case, procurement and contract management arrangements are in place to select and deliver new Council housing properties.
<i>Implementing Action Plans</i>			
H&C	Right to Buy	Yes	To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.

Appendix B1: Internal Audit Plan for 2018/19

Dept	Service Activity	Fraud risk	Focus of the Audit
Aim: Efficient and Effective Customer Focused Services			
H&C	Housing Property Management and Maintenance	Yes	To be determined with the business.
H&C	Licensing	Yes	To assess whether licence applications are effectively and promptly processed and all due income is received.
Implementing Action Plans			
Res	Cyber Security Governance	Yes	To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.
H&C	Health and Safety of Housing Stock	No	
H&C	Housing Allocations	Yes	
All	IDOX System Governance and Change Management	Yes	
Res	Income Collection	Yes	
Key Financial Systems			
All Aims			
All	Key financial systems	Yes	To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service
Grant Claims			
Env	Disabled Facilities Capital Grant Determination	Yes	To confirm the monies have been spent in accordance with the terms of the grant.
SD, Mo	Interreg Go Trade Grant	Yes	
Advice and Support Work			
	None		

Appendix B1: Internal Audit Plan for 2018/19

Dept	Service Activity	Fraud risk	Focus of the Audit
Managing Delivery of the Audit Plan			
	Audit Planning and Resourcing		
	Managing Audit Plan Delivery		
	Reporting to Executive Management Team and Audit Committee		

Appendix B1: Internal Audit Plan for 2018/19

Audit Activities	Resource allocation
Managing the Business	24%
Managing Service Delivery Risks	52%
Key Financial Systems	6%
Grant Claims	7%
Advice and Support	0%
Managing Delivery of the Audit Plan	11%
Total	100%
Total Council Audit Plan Days	192

The days required to revisit and retest action plans from previous reports are included under each heading.

The Total Council Audit Plan Days reflects the higher cost of buying in external contractors to cover internal vacancies. There is current £3,630 unspent of the budget which equates to approx. 7 days.

Analysis Over Departments		
Env	Environmental	4%
H&C	Housing	41%
Res	Resources	23%
SD, MO	Strategic Director, Monitoring Officer	11%
All	Cross cutting	10%
All	Managing Delivery of the Audit Plan	11%
	Total	100%

Appendix B1: Internal Audit Plan for 2018/19

Risk Watch List	
Env	Environmental Health Revisited
Env	Income Generation from Waste Collection Services
H&C	Safeguarding
H&C	Strategic Housing Strategy
H&C	Working with Partners, Strategic Partnership Framework
Res	Business Continuity
Res	Replacement of the Telephony Systems
Res	The Paddocks Project
SD, MO	Building Control
SD, MO	Development Control Support Team, Effectiveness Review and Revisited
SD, MO	Leases and Licenses Revisited
All	Ethical Governance
All	Health and Safety

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

Appendix B2: Audit assurance linked to the Council's corporate risks

	Risk title	Corporate Risks January 2018	Audit work providing assurance in 2018/19
1	Public Health & Wellbeing	Partnership Arrangements are not fully effective and risks focus on work that does not always meet Council priorities.	Working with Partners, Strategic Partnership Framework is on the Audit Risk Watch List for 2018/19. The framework is being re-written taking into account the issues raised in the audit report issued February 2017.
2	Transforming Our Community	The Vision for Regeneration is not fully clear and the achievement of outcomes is limited.	Regeneration Partnership Revisited review was completed in March 2017, so no further work is planned on this for 2018/19. Interreg Go Trade Grant
3	Transforming Our Community	Planning policy is not progressed satisfactorily and / or is not robust resulting in central government intervention and high legal costs	No work planned.
4	Efficient & Effective Customer Focused Services	Unable to provide full range of existing services for years 2019/20 and beyond due to reductions in government grant funding.	HRA New Property Build Projects. Licensing. Income Collection Revisited. ICT Strategy
5	Efficient & Effective Customer Focused Services	Potential for too many priorities and inadequate staff capacity to pursue all priorities / insufficient corporate resources to implement change.	Good Governance Group work.

Appendix B2: Audit assurance linked to the Council's corporate risks

	Risk title	Corporate Risks January 2018	Audit work providing assurance in 2018/19
6	Efficient & Effective Customer Focused Services	Rent Income Reduction Proposals by Central Government will results in a Housing Revenue Account which is unsustainable in future years.	HRA New Property Build Projects. Housing Property Management and Maintenance.
7	Efficient & Effective Customer Focused Services	Staff morale decreases due to impact of austerity, service reviews and not undertaking core corporate process such as appraisal process.	Good Governance Group work.
8	Efficient & Effective Customer Focused Services	Inadequate business continuity (BC) arrangements are in place to mitigate severe disruption to Council services.	No work planned but this is on the Audit Risk Watch List for 2018/19. Emergency Planning.
9	Efficient & Effective Customer Focused Services	Failure to deliver key ICT improvement and enhancement projects resulting from contract operating difficulties with Capita.	IT Strategy.
10	Efficient & Effective Customer Focused Services	Inadequate Health and Safety arrangements within Housing Services and a potential for a serious incident as a result.	Health and Safety of Housing Stock Revisited

Appendix B2: Audit assurance linked to the Council's corporate risks

	Risk title	Corporate Risks January 2018	Audit work providing assurance in 2018/19
11	Efficient & Effective Customer Focused Services	Housing Services working practices and management systems are not fully effective and do not provide value for money.	Health and Safety of Housing Stock. Homelessness. Housing Allocations Revisited. Housing Property Management and Maintenance. Right to Buy Revisited.
12	Efficient & Effective Customer Focused Services	Unable to fully implement the requirements of the General Data Protection Act Regulations 2015 (GDPR).	Information Governance, General Data Protection Regulation Review.
13	Efficient & Effective Customer Focused Services	Successful cyber security attack resulting in disruption to service, theft or loss of data / information, financial and reputational damage.	Cyber Security Governance Revisited
14	Efficient & Effective Customer Focused Services	Risk of Implementation of Universal Credit and wider digital requirements by DWP impacting service delivery and effectiveness.	No work planned.

How We Will Work With You Statement

Appendix B3

Internal Audit	Relevant Service Managers	Relevant Heads of Service	Head of Resources (Section 151 Officer) (see note 1 below)	Executive Management Team (see note 2 below)	Audit Committee
Charter and Strategy			Receive annually February / March	Receive annually February / March	Approve annually March
Audit Plan	Discuss risk assessment as part of planning process	Discuss risk assessment as part of planning process	Discuss risk assessment as part of planning process. Update quarterly	Receive annually March Update quarterly	Approve annually March Update quarterly
Terms of Reference for audits *	Discuss drafts Finalise with	Finalise with	Copy final		
Detailed audit work *	Discuss findings on an on-going basis	Brief if issues of concern arise during the review	Brief if issues of concern arise during the review		

How We Will Work With You Statement

Appendix B3

Internal Audit	Relevant Service Managers	Relevant Heads of Service	Head of Resources (Section 151 Officer) (see note 1 below)	Executive Management Team (see note 2 below)	Audit Committee
Individual audit reports *	Discuss drafts Finalise with	Finalise with	Copy final	Copy final to Chief Executive (Head of Paid Service)	
IA Performance Report inc follow up			Receive quarterly	Receive quarterly	Receive quarterly
Annual report			Receive April / May	Receive April / May	Approve July

** This approach applies whether it is an original audit or whether we are revisiting an audit report to ensure agreed actions have been implemented and are embedded into the day to day operations of the service.*

Note 1 All reports to Executive Management Team and the Audit Committee are reviewed by the Head of Resources in a line management capacity

Note 2 This group includes the Council's Head of Paid Service, Monitoring Officer and Section 151 Officer

AUDIT COMMITTEE**22nd March 2018****Subject: Audit Committee Work Programme for 2018/19**

1. Purpose of Report

To present the outline 2018/19 work programme for the Audit Committee for consideration.

2. Background

The timetable for approving the Statement of Accounts has changed. So for the 2017/18 Statement of Accounts that will be audited in 2018, the:

- Section 151 Officer has to sign and publish them by 31 May
- external auditor has to issue an audit opinion on them by 31 July.

The Audit Committee has a key role to play in this process, as it receives the report on the audit of the Statement of Accounts from the external auditor. Therefore, its meeting cycle has had to change for the 2018/19 municipal year.

3. Proposed Work Programme

Appendix A sets out the proposed work programme for the year. It also shows the change from a June to July meeting to reflect the change in timetable for signing off the Statement of Accounts.

In principle, the approach adopted to producing the work programme is that:

- annual plans and policy refresh type reports will be the focus for the March meeting
- annual governance reports as well as those relating to the Statement of Accounts will go to the July meeting
- September monitors progress in delivering in year work
- January considers progress made on delivering annual governance type action plans as well as the Treasury Management Strategy and Grant Claims report.

Revised good practice guidance is due shortly on the role of the Audit Committee. Once this is available, the Audit Committee's Terms of Reference and Work Programme will be reviewed to ensure they remain compliant.

4. Corporate Implications**Financial Implications**

None.

Legal Implications

The Accounts and Audit Regulations 2015 require councils to:

- conduct a review of the effectiveness of its system of internal control each financial year
- prepare an annual governance statement
- present the findings of this review to a committee or full Council to consider prior to approving the annual governance statement.

This is the role that has been delegated to the Audit Committee by Council. The work programme has been constructed to enable it to fulfil this role.

Human Resources and Equality Implications

None.

IT and Asset Management Implications

None.

5. Links to Council's Priorities, Objectives and Targets

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

6. Timescale for Implementation

The work programme relates to the 2018/19 Audit Committee cycle.

7. Risk Factors

Without an effective Audit Committee, the Council is at risk of not obtaining on-going assurance as to the robustness of its risk management, governance and control framework. An ineffective system of internal control potentially puts the delivery of Council services at risk.

Recommendations:

The Audit Committee approves the outline work programme for 2018/19.

Background Papers

- The Accounts and Audit Regulations 2015
- Audit Committee Practical Guidance for Local Authorities and Police 2013 Edition
- UK Public Service Internal Audit Standards
- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards

Appendix

- Appendix A: Audit Committee Work Programme for 2018/19

Report Author: Linda Everard, Head of Internal Audit

Appendix A: Audit Committee Work Programme for 2018/19

Agenda items	Jul	Sept	Jan	Mar
Governance, Risk and Control				
<ul style="list-style-type: none"> Good Governance Update and Local Code of Governance (bi-annual) 				√
<ul style="list-style-type: none"> Quarterly Monitoring Report of the Council's Governance Arrangements 		√	√	√
<ul style="list-style-type: none"> Reports on individual key business management arrangements as required 		√	√	
<ul style="list-style-type: none"> Risk Management Policy and Strategy (bi-annual) (Next review due 2020) 				√
<ul style="list-style-type: none"> Risk Management Performance and Annual Reports, including the Corporate Risk Register 		√		√
<ul style="list-style-type: none"> Policies and Strategies for: <ul style="list-style-type: none"> Counter Fraud, Bribery and Corruption Counter Money Laundering Prosecution Whistleblowing (bi-annual) 		√		
<ul style="list-style-type: none"> Counter Fraud & Investigation Directorate, Strategy and Annual Work Programme 	√			
<ul style="list-style-type: none"> Counter Fraud & Investigation Directorate, Quarterly Performance Report 	√	√	√	
<ul style="list-style-type: none"> Counter Fraud & Investigation Directorate, Annual Report 				√
<ul style="list-style-type: none"> Annual Governance Statement (AGS) 	√			
<ul style="list-style-type: none"> Progress made in delivering the AGS Action Plan 			√	
Treasury Management				
<ul style="list-style-type: none"> Treasury Management and Investment Strategy 			√	

Appendix A: Audit Committee Work Programme for 2018/19

Agenda items	Jul	Sept	Jan	Mar
<ul style="list-style-type: none"> Treasury Management Activity Mid Year Report 		√		
<ul style="list-style-type: none"> Annual Report on the Treasury Management Service and Actual Prudential Indicators 	√			
Financial Reporting				
<ul style="list-style-type: none"> Statement of Accounts to Full Council 	√			
Internal Audit				
<ul style="list-style-type: none"> Charter, Strategy and Audit Plan 				√
<ul style="list-style-type: none"> Quarterly Performance Report 	√	√	√	√
<ul style="list-style-type: none"> Head of Internal Audit Annual Report 	√			
<ul style="list-style-type: none"> Independent External Performance Assessment required every 5 years. (Next review due by March 2023). 				
External Audit				
<ul style="list-style-type: none"> Audit Results Report 	√			
<ul style="list-style-type: none"> Annual Audit Letter 		√		
<ul style="list-style-type: none"> Grant Claims and Returns Certification Report for the Year Ended 31 March 20xx 			√	
<ul style="list-style-type: none"> Audit Plan 				√
<ul style="list-style-type: none"> Annual Regulatory Compliance and Quality Report from Public Sector Audit Appointments - for information 			√	
Accountability Arrangements				
<ul style="list-style-type: none"> Audit Committee Terms of Reference and Work Programme 				√
<ul style="list-style-type: none"> Audit Committee Compliance with Good Practice Guidance 			√	
<ul style="list-style-type: none"> Audit Committee Annual Report 				√