



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



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

AGENDA

Committee:	AUDIT
Date and Time:	Monday 23rd September 2013 at 7.30 p.m.
Venue:	Committee Room 1
Membership:	Councillors, Walter (Chairman), Barrett, Burch, Isaacs and J.A.Payne.
Substitutes	Councillors Brunt, Dick and Mrs King.
Officers attending:	Ian Stapleton – Financial Services Manager Craig Watts - Head of Performance and Service Support Linda Everard – Head of Internal Audit Claire Lavery - Auditor
Also attending	Lisa Clampin, Partner BDO Zoe Thompson, Senior Manager BDO
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 20.6.2013 is attached and action points arising.
- 4. BDO Progress Report to Those Charged with Governance**
Report of the Head of Internal Audit is attached.
- 5. BDO Annual Governance Report 2012/13**
Report of the Head of Internal Audit is attached.

6. Treasury Management Mid-Year Report

Report of the Financial Services Manager is attached

7. Monitoring Report – Corporate Governance Arrangements

Report of the Head of Performance and Service Support is attached.

8. Summary Audit Progress Report

Report of the Head of Internal Audit is attached.

Current Information Items (standing item)

- CIPFA Better Governance Forum Audit Committee Update: Helping Audit Committees to be Effective:
- Local Audit and Accountability Bill, the Implications for Audit Committees
- Update of CIPFA's Guidance on Audit Committees
- Regular Briefing on Current Issues

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AGENDA ITEM NO.3

AUDIT COMMITTEE

20TH JUNE 2013

PRESENT:

Councillors Walter (Chairman), Brunt and Burch.

Head of Performance and Service Support, Craig Watts, Head of Internal Audit, Linda Everard, Financial Services Manager, Ian Stapleton, Community Support Manager, Eddie Mosuro, Head of Housing and Communities, Wendy Buck and External Auditor Lisa Clampin from BDO were also present.

Apologies for absence were received from Councillors Barrett and J.A. Payne.

1. MEMBERS' INTERESTS

There were no disclosures of interest

2. MINUTES

A copy of the Minutes of the meeting held on 28th March 2013 were taken as read and signed as correct.

3. BENEFIT SUBSIDY ASSURANCE REPORT

Eddie Mosuro, Community Support Manager gave an update on the work that had been undertaken in relation to issues identified with the Benefit Subsidy Claim in the 2011/12 External Audit Grant Claims and Returns Certification.

Following the 2010/11 External Audit Grant Claims and Returns Certification reported in January 2012, an internal Action Plan had been developed in conjunction with the Internal Audit Manager to address issues that had been identified.

Details of the issues identified and the actions that had been undertaken to address them were reported in relation to the incorrect classification of overpayments; incorrect application of State Retirement Pension (SRP) up-rating; incorrect application of Local Housing Allowance (LHA) Anniversary dates and the incorrect award of Extended Payments. It was anticipated that the ongoing work in relation to SRP up-ratings and LHA anniversary dates would be completed before External Audit Certification of the 2012/13 claim and therefore adjustments would be reflected in the 2013/14 claim.

Progress would continue to be monitored via monthly Subsidy Monitoring meetings and quarterly monitoring by Internal Audit.

Following the presentation Members took opportunity to ask questions.

The Chairman thanked Ms Mosuro for an informative presentation.

4. BDO PROGRESS REPORT TO THOSE CHARGED WITH GOVERNANCE

Lisa Clampin, BDO, reported on progress in delivering the 2012/13 Audit Plan.

The progress report to those charged with governance was attached as an appendix to the report and Ms Clampin drew attention to key areas of work. It was reported that all work was expected to be completed on time.

Resolved - That the Audit Committee notes the progress with the 2012/13 Audit Plan.

5. BDO PLANNING LETTER

Lisa Clampin presented the External Audit Planning Letter for 2013/14 which set out the proposed fees and programme of work for the 2013/14 financial year.

A summary of the proposed fee and how it compared to the current published Audit Commission scale fee for 2013/14 and the current proposed fees for 2012/13 was set out in the Planning Letter which was attached as an appendix to the report.

Resolved – That the Planning Letter for 2013/14 be approved.

6. ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2012/13

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

As required by the Code, the activity report for 2012/13 was submitted at Annexe A to the report for consideration by the Committee prior to submission to Cabinet on 17 July 2013.

The Financial Services Manager reported that the rating agency had downgraded the Co-Operative Bank plc's long-term rating to non-investment grade. Consequently the Council had withdrawn the amount held in the Co-op Call account. The bank account was only used for transactions and not investments at the current time and it was believed there was minimal risk

should the Co-op fall into any further difficulties however the situation would continue to be monitored closely.

It was reported that discussions had been undertaken with one other bank as a contingency. Advice continued to be sought from the Treasury advisors and whilst it was understood that very few authorities had back up arrangements the local authority continued to investigate this arrangement. During discussion Members indicated that they were in favour of a contingency account, it was felt this was a positive step even though it was not common practice for other local authorities.

Following discussion it was:-

Resolved –

1. That the Treasury Management Activity Report for 2012/13 be approved.
2. That the 2012/13 prudential indicators, shown at Annexe D, be approved.

7. SUMMARY AUDIT PROGRESS REPORT

The summary progress report on the delivery of Internal Audit's Strategy and Performance targets for 2012/13 was presented to the Committee.

The joint Internal Audit Team had performed well against the 2012/13 targets given the staffing issues experienced during the year. It was stated that an auditor had been appointed on a 6 month contract which had started in May 2013. A review of the team structure and longer term resourcing needs would take place June/July 2013. Full details of performance against targets for the financial year 2012/13 were set out at Appendix A.

The current status of the planned audits for the year were shown at Appendix B.

Appendix C summarised the findings from audits completed.

Appendix D summarised the current position with regard to the 2013/14 Audit Plan.

Following discussion it was:-

Resolved – That the progress made in delivering the Internal Audit Strategy for 2012/13 and starting work on the Audit Plan for 2013/14 is noted.

8. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2012/13

The Head of Internal Audit provided an opinion on the adequacy and effectiveness of the Council's systems of internal control for 2012/2013.

The overall conclusion was that the system of internal control was adequate and that controls were generally being applied. The opinion was predominantly based upon work performed during the year on the overall adequacy and effectiveness of the Council's risk management, control and governance processes.

Following discussion it was:

Resolved – That the Head of Internal Audit's Annual Report for 2012/13 is accepted.

9. ANNUAL GOVERNANCE STATEMENT 2012/13

The Head of Performance and Service Support presented the Annual Governance Statement 2012/13 to the Committee.

Following the presentation Lisa Clampin, External Audit, commented on the new style of Governance Statement. Whilst the structure was good it was felt that some fundamental information had been lost and that the statement should make reference to the Head of Internal Audit's opinions.

Following discussion it was:-

Resolved – That the Annual Governance Statement 2012/13 is approved and its adoption recommended to Council.

10. INFORMATION ITEMS

- CIPFA Better Governance Forum Audit Committee Update: Helping Audit Committees to be Effective, Issue 10:
 - Public Sector Internal Audit Standards
 - Regular Briefing on Current Issues

Chairman

AUDIT COMMITTEE

23 September 2013

Subject: BDO Progress Report to Those Charged with Governance

1. Purpose of Report

To report on progress in delivering the 2012/13 Audit Plan.

2. Background

Attached is BDO's (the appointed External Auditor to the Council) Progress report to Those Charged with Governance.

A senior representative of BDO will present the key matters from this report to the Audit Committee and then respond to any questions of clarification by Members

3. Corporate Implications

(a) Financial Implications

None

(b) Legal Implications

The Council is required to have an external audit of its activities that complies with the requirements of the Audit Commission's Code of Audit Practice (the Code). By considering this report, the Committee can satisfy itself that this requirement is being discharged

(c) Human Resources and Equality Implications

Human Resources

None

Equality Implications

None.

(d) IT and Asset Management Implications

None

4. Links to Council's Priorities and Objectives

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

5. Timescale for Implementation and Risk Factors

Timescales for delivering elements of the Audit Plan are set out in the progress report.

6. Conclusion

None

Recommendation

The Audit Committee notes the progress with the 2012/13 Audit Plan.

Resolution Required

Background Papers

- None

Attachments

- BDO Progress report to those charged with governance

Report Author: Zoe Thompson, Senior Manager BDO

CASTLE POINT BOROUGH COUNCIL

Progress report to those charged with governance

September 2013



INTRODUCTION

Summary of progress

This report is intended to provide the Audit Committee with an update of the progress in delivering the 2012/13 audit.

Auditors' principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code of Audit Practice for Local Government, the audited body's:

- financial statements
- arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to certify specified grant claims and returns as directed by the Audit Commission.

We have assessed whether the arrangements put in place by the Council will allow us to complete our work by the expected deadlines and whether there are any issues that are likely to have a significant impact on our ability to provide unmodified audit reports and opinions. This is included as a "RAG" assessment in the report.



RED

Unlikely to be able to meet reporting deadlines or modification of audit report or opinion



AMBER





Some concerns around meeting reporting deadlines or potential risk of modification of audit report or opinion








GREEN

On target to meet deadlines and no current concerns over issue of audit report or opinion

2012/13 Annual Audit Plan – progress summary as at 9 September 2013

Area of work	Scope / Associated deadlines	Status	Outputs / Date	RAG
Planning	<p>Risk assessment and formulation of the annual audit and inspection plan.</p> <p>No Fee Letter required for 2012/13 due to the interim status of audit appointments between April and October 2012. The Audit Commission required that either a Planning Letter or a detailed Audit Plan be issued by 4 January 2013.</p>	Complete.	<p>Fee Letter 2012/13 No separate fee letter required this year.</p> <p>Audit Plan 2012/13 Presented to January 2013 Audit Committee.</p>	
Financial statements				
Interim audit	<p>Audit of the key financial systems that support the financial statements of accounts.</p> <p>To be completed prior to commencement of the audit of the financial statements in July 2013.</p>	Complete.	<p>We report to management any deficiencies in internal control identified during the audit.</p> <p>Where we identify significant deficiencies in internal control identified during the audit we also report those in our Annual Governance Report.</p>	
Statement of accounts audit	<p>Audit of the draft statement of accounts to determine whether they give a true and fair view of the Council's financial affairs and the income and expenditure for the year.</p> <p>Deadline for issue of audit opinion and publication of the statement of accounts is 30 September 2013.</p>	Largely complete.	<p>Annual Governance Report to those charged with governance to be reported to the September 2013 Audit Committee.</p> <p>Opinion on the statement of accounts Accounts publication deadline 30 September, anticipated sign-off date is 24 September 2013.</p>	
Whole of government accounts audit	<p>Audit of the consolidation pack for consistency with the audited statement of accounts.</p> <p>Consolidation pack opinion - deadline 4 October 2013.</p>	Work due to commence September 2013.	<p>Opinion on the WGA Consolidation Pack To be issued by 4 October 2013.</p>	

Area of work	Scope / Associated deadlines	Status	Outputs / Date	RAG
Use of Resources				
Use of resources	<p>Review of use of resources based on:</p> <ul style="list-style-type: none"> proper arrangements in place for securing financial resilience proper arrangements for challenging how the Council secures economy, efficiency and effectiveness. <p>Conclusion to be given alongside the accounts opinion by the deadline of 30 September 2013.</p>	Complete.	Results reported in the Annual Governance Report in September 2013.	
VFM conclusion	<p>Review to support a conclusion on whether the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.</p> <p>Conclusion to be given alongside the accounts opinion by the deadline of 30 September 2013.</p>	Complete.	VFM conclusion target issue date 24 September 2013.	
Reporting				
Annual Audit Letter	Public-facing summary of audit work and key conclusions for the year. To be finalised by 31 October 2013.	To be drafted after completion of audit work.	Annual Audit Letter target issue date 21 October 2013.	
Grants certification				
Grants and returns	To audit and submit grant claims and returns by the relevant deadlines.	<p>Work has commenced on the following grant claims:</p> <ul style="list-style-type: none"> Pooled capital receipts Housing & council tax benefits National Non-Domestic Rates 	All grants claims and returns to be audited in line with agreed schedule.	
Grants Report	Summary of our certification work completed on 31 March 2013 claims.	To be drafted after certification work concluded.	Grants Report to those charged with governance to be issued by February 2014.	

BDO UK

3 Offices **250** Partners
2 Offices **3,500** Staff

No. 1 for exceptional client service ¹

90% of our clients would recommend us ² **and** **72%** already have ²

AN AWARD WINNING UK FIRM

in 2012 we won:

- ▶ AUDIT OF THE YEAR AWARD ³
- ▶ ACCOUNTANT OF THE YEAR AWARD ⁴
- ▶ TAX ADVISER OF THE YEAR ⁵
- ▶ BEST INNOVATION IN CLIENT SERVICE OR RELATIONSHIP MANAGEMENT ⁶

BDO INTERNATIONAL

US\$6 ⁷bn **2012** revenue

138 Countries **1,200** Offices
55,000 Staff

1. Independent research carried out by Lighthouse Global (Mid Market Monitor 2012)
2. Client Listening Programme 2011
3. British Accountancy Awards 2012
4. M&A Awards 2012
5. International Accounting Bulletin 2012
6. Managing Partners Forum (MPF) European Leadership Awards 2012
7. \$6.01bn (£4.63bn) total combined fee income 2012

AUDIT COMMITTEE

23 September 2013

Subject: BDO Annual Governance Report 2012/13

1. Purpose of Report

This report summarises the results of the work completed to date for the 2012/13 financial year with regard to:

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

2. Background

A senior representative of BDO will present the key matters from this report to the Audit Committee and then respond to any questions of clarification by Members

3. Corporate Implications

(a) Financial Implications

The work required was delivered within the agreed fee.

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

(b) Legal Implications

The Council are required to:

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

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

(c) Human Resources and Equality Implications

Human Resources

None

Equality Implications

None.

(d) IT and Asset Management Implications

None

4. Links to Council's Priorities and Objectives

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

5. Timescale for Implementation and Risk Factors

The audit opinion on the financial statements needs to be given by the 30 September 2013. The external auditor must report to those charged with governance before the opinion is given. By presenting this report to Committee, this requirement has been met.

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

6. Conclusion

None

Recommendation

The Audit Committee accepts the external auditors Annual Governance Report 2012/13.

Resolution Required

Background Papers

- None

Attachments

BDO Annual Governance Report 2012/13

Report Author: Zoe Thompson, Senior Manager BDO



CASTLE POINT BOROUGH COUNCIL

FINAL REPORT TO THE AUDIT COMMITTEE
Audit for the year ended 31 March 2013

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OVERVIEW

Key audit findings

The purpose of this report is to communicate to you the significant findings from our audit of the financial statements of Castle Point Borough Council for the year ended 31 March 2013. This overview covers those matters we believe to be significant in the context of our work. However, you should read the entirety of this report, as there may be other matters raised that you consider important.

We have largely completed our audit work and anticipate issuing an unqualified opinion subject to the outstanding matters listed on page 2.

AREA OF AUDIT	SUMMARY
Financial statements	<p>No material misstatements were identified as a result of our audit work.</p> <p>Some areas of work are still outstanding at the time of drafting this report (see page 2). Should these result in any significant issues, we will provide a verbal update to the Audit Committee on 23 September 2013.</p> <p>Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified true and fair opinion on the financial statements for the year ended 31 March 2013.</p>
Unadjusted audit differences	<p>There are nine unadjusted audit differences identified by our audit work that are detailed in Appendix II. Three relate to classification errors on the face of the balance sheet and have no impact on the outturn financial position of the Council. The remaining six errors increase the draft deficit on the provision of services shown in the CIES by £100,000 and would decrease the draft net assets by £157,000. Some of these values are based on the extrapolated value of individual errors against the full value of the relevant areas.</p>
Internal controls	<p>The following were identified as significant deficiencies in internal controls during our review:</p> <ul style="list-style-type: none">• Lack of segregation of duties between invoicing and receipting functions• Non-compliance with empty property relief visiting procedures in two out of fifteen cases sampled. <p>Some other areas for improvement were identified and discussed with management.</p>
Annual Governance Statement	<p>We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with “Delivering Good Governance in Local Government” (CIPFA / SOLACE).</p>
Whole of Government Accounts (WGA)	<p>Our work to review the consistency of the whole of government accounts return with the audited financial statements is in progress and a verbal update will be given at the Audit Committee on 23 September 2013.</p>
Use of resources and the Value for Money Conclusion	<p>We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013. We propose issuing an unqualified value for money conclusion.</p>

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

OVERVIEW

Audit status and timetable to completion

We set out below the current status of the audit and our timetable to completion.

AUDIT STATUS

We have largely completed our audit work in respect of the financial statements, and anticipate issuing an unqualified opinion on the financial statements.

The following matters are outstanding at the date of this report. We will update you on their current status at the Audit Committee meeting on 23 September 2013.

- consideration of the valuation basis of sheltered accommodation
- clearance of outstanding Manager and Partner review queries
- receipt of the letter of assurance from the auditor of the Essex Pension Fund
- receipt of amended final financial statements following agreed amendments
- subsequent events review
- management representation letter, as attached in Appendix VIII to be approved and signed.

TIMETABLE TO COMPLETE

The anticipated timetable to complete is as follows:

ACTIVITY	DATE
Completion of outstanding audit work on the financial statements	5 September 2013
Audit Committee meeting	23 September 2013
Signing of financial statements	24 September 2013
Completion of audit work on the WGA return and circulation of any significant audit findings	23 September 2013
Signing of WGA audit certificate	24 September 2013

INDEPENDENCE

INDEPENDENCE

Under Audit Commission Standing Guidance and Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to bear on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes.

The procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the audit engagement partner and the audit staff. This document considers such matters in the context of our audit for the year ended 31 March 2013.

A summary of our fees for audit and non-audit services for the period from 1 April 2012 to date is set out below.

We confirm that we are not aware of any relationships that may bear on our independence and objectivity as auditors of the financial statements and that our independence declaration, included in the Audit Plan for 2012/13, has remained valid throughout the period of the audit.

	£
Code Audit fee	74,120
Grants certification fees (estimate)	26,900*
Fees for non-audit services	-
TOTAL FEES	101,020

*Updated since issuing our 2012/13 Audit Plan, to reflect the revised scale fee published by the Audit Commission

AUDIT SCOPE AND OBJECTIVES

The audit scope is determined by the Audit Commission's Code of Audit Practice for Local Government and covers audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland), Practice Note 10: audit of public sector bodies in the United Kingdom (October 2010), and guidance issued by the Audit Commission.

This requires that we form an opinion on whether:

1 The financial statements give a true and fair view of the state of the Council's affairs as at 31 March 2013 and of the income and expenditure for the year then ended

2 The financial statements have been properly prepared in accordance with statutory requirements and proper practices have been observed in their compilation

3 The financial statements have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting

4 The information given in the Statement of Accounts and Explanatory Foreword is consistent with the financial statements

5 The Annual Governance Statement is not inconsistent with our knowledge and complies with "Delivering Good Governance in Local Government" (CIPFA / SOLACE)

6 The audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness

7 The Whole of Government Accounts return is consistent with the audited financial statements and that it is properly prepared

FINANCIAL STATEMENTS

Key audit and accounting matters

To provide an opinion on whether your financial statements give a true and fair view of your financial position and income and expenditure and whether they have been properly prepared, we carry out risk based procedures designed to obtain sufficient appropriate audit evidence to determine with reasonable confidence whether the financial statements are free from material misstatement and evaluate the overall presentation.

In carrying out our work we determine and apply a level of materiality. Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole, or individual elements of the financial statements as appropriate. Consequently, the audit cannot be relied upon to identify all risks or potential or actual misstatements. Materiality may relate to both quantitative and qualitative matters and for quantitative considerations the numerical level that materiality is assessed at may be different for different information in the financial statements. Nevertheless, within this context, Appendix III gives an indication of the quantitative levels used for planning purposes. Materiality is re-assessed every year in the context of authoritative audit practice. Materiality may relate to both quantitative and qualitative matters and for quantitative considerations the numerical level at which materiality is assessed may be different for different information in the financial statements. Nevertheless, within this context, Appendix III gives an indication of the quantitative levels used for planning purposes. Materiality is re-assessed every year in the context of authoritative audit practice.

We are required to report to you all uncorrected misstatements that relate to the current financial year (including those arising in previous periods that have an effect on the current year financial statements) and the effect that they have individually, or in aggregate, on the opinion in the auditor's report, except for those that are clearly trivial. For reporting purposes, we consider misstatements of less than £16,000 to be trivial and have not reported them, unless the misstatement is indicative of fraud.

We would highlight that in this report we do not provide a comprehensive statement of all weaknesses that may exist in the financial and operational systems, but only those matters which have come to our attention as a result of the audit procedures performed. We only restate weaknesses already reported by Internal Audit where we consider these to be significant deficiencies. Recommendations in response to the key findings identified by our audit of the financial statements are provided in the action plan at Appendix V. These recommendations have been discussed with appropriate officers and their responses are included.

AUDIT RISK AREAS			
RISK	RELATED CONTROLS	WORK PERFORMED	CONCLUSION
MANAGEMENT OVERRIDE	ISA (UK&I) 240 requires us to presume that a risk of management override of controls is present and significant in all entities. By its nature, there are no controls in place to mitigate the risk of management override.	We reviewed the appropriateness of journal entries and other adjustments made in the preparation of the financial statements. We also reviewed accounting estimates for evidence of possible bias.	We did not identify any significant transactions that are outside the normal course of business for the Council or that otherwise appear to be unusual. Our work on accounting estimates has not identified any evidence of bias.
REVENUE RECOGNITION - FEES & CHARGES	ISA (UK&I) 240 assumes there is a rebuttable presumption that there is a material risk of fraud arising from revenue recognition. We have rebutted this presumption for all income streams except for fees and charges income in relation to leisure centres and off street parking. We have confirmed that the Council has put in place appropriate controls to ensure the completeness, occurrence and accuracy of the income from both of these sources.	We substantively tested an increased sample of leisure income and off street parking income to ensure that accounting policies had been correctly applied in determining the point of recognition of income and that income was completely and accurately recorded.	No misstatements or issues have been identified from our testing of income in these areas.

FINANCIAL STATEMENTS

Accounting Practices and Financial Reporting Framework

Financial statements preparation process

The requirement for Members to approve the draft financial statements by 30 June was removed by the Accounts and Audit Regulations 2011, however these regulations introduced the requirement for the Responsible Financial Officer to sign and present the financial statements for audit by 30 June. The 2012/13 financial statements were signed on 31 May 2013 and presented for audit on 21 June 2013.

As part of our planning for the audit, we prepared a detailed document request which outlined the information that we would require to complete the audit. The Council provided us with files of comprehensive working papers on 1 July 2013, in line with the agreed timetable. A small number of additional working papers in response to queries were obtained during the course of the audit.

Audit issues and impact on opinion

We have no matters to report in relation to the financial statements preparation process.

Accounting policies

The following changes have been introduced by the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code'), resulting in changes in accounting practice:

- the objective of the financial statements, and the qualitative characteristics of financial information, as a result of the publication of the first phase of the International Accounting Standards Board's (IASB's) The Conceptual Framework for Financial Reporting 2010 (the Conceptual Framework)
- encouraging local authorities to prepare the Explanatory Foreword taking into consideration the requirements of the Government's Financial Reporting Manual (FReM)
- amendments in relation to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets).

Audit issues and impact on opinion

We have no matters to report in relation to the changes introduced by the 2012/13 Code.

Accounting estimates

We review material accounting estimates identified as having high estimation uncertainty or which are subject to a significant degree of judgement by management, and assess the reasonableness of the assumptions applied by management when deciding whether to recognise amounts in the accounts or the value at which these are recognised.

We consider the following to be material accounting estimates with high estimation uncertainty:

- valuation of property
- estimated pension liability

Audit issues and impact on opinion

Valuation of property

Land and buildings are required to be carried at fair value which is either existing use value, depreciated replacement cost for specialised properties or open market value. The Council revalues land and buildings over a five year rolling programme and does not adjust for price indices between formal valuations unless there is indication of material changes.

Management makes valuation adjustments to land and buildings based on valuation reports and useful economic lives provided by an independent firm of valuers with specialist knowledge and experience valuing local authority estates, which has regard to local prices and building tender indices in the public sector.

We are satisfied that the valuer is suitably independent of the Council, objective and experienced in undertaking this work. Our review of the valuations provided, when compared to other price index information available, and useful economic lives allocated to buildings and significant components showed that they are not unreasonable.

Estimated pension liability

The net pension liability of the Council comprises its share of the market value of assets held in the Essex Pension Fund and the estimated future liability to pay pensions for its current, deferred and retired members of the pension scheme.

An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. Their estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation.

Management has agreed the assumptions made by the actuary to support the estimate and these are disclosed in the financial statements. We have requested written representations from the Council to confirm that the assumptions applied by the actuary are reasonable and consistent with its knowledge of the business of the Council.

We are satisfied that the actuary is suitably independent of the Council, objective and experienced in undertaking this work. Our review of the assumptions applied in estimating the pension liability suggest that these are generally not significantly different from those being applied by the actuaries of other local authorities.

Accounting estimates (continued)	Audit issues and impact on opinion
<ul style="list-style-type: none"> provision for the impairment of bad and doubtful debts 	<p>Provision for the impairment of bad and doubtful debts</p> <p>We have reviewed the methodology applied by the Council in estimating the allowance for doubtful debts across all categories of debtor. There has been no change to the method applied when compared to the prior year and we are satisfied that these methods are not unreasonable.</p> <p>We have noted however, that the methods applied should be kept under review as, in the case of council tax, housing rent and housing benefit debtors, the provision levels applied to debtors over one year suggest lower collection rates are being achieved compared to actual recent performance levels and therefore the provision level is potentially overstated.</p> <p>We determined a tolerable range, within which the provision made by the Council would be considered reasonable, with reference to current collection rates. The Council's provision falls outside this tolerable range, indicating over provision for bad and doubtful debts by £28,000. This has been noted below within unadjusted audit differences.</p>
Disclosures	Audit issues and impact on opinion
<p>We review material accounting disclosures, to confirm that they are in compliance with the requirements of the Code.</p>	<p>A small number of minor presentational and disclosure amendments have been made to the draft financial statements as a result of the audit:</p> <ul style="list-style-type: none"> removal of various disclosures with a "£0" balance minor wording changes for example in the related party note <p>In addition, one of the reported exceptional items on the face of the Comprehensive Income and Expenditure Statement is not material to the financial statements and therefore is not required to be separately disclosed. This has not been amended and has been reported within the unadjusted audit differences schedule at Appendix II.</p>
Misstatements	Audit issues and impact on opinion
<p>We identified a number of departures from the expected presentation of the 2012/13 financial statements, or where notes and other disclosures had not been presented in accordance with the Code and requested management correct these in order to achieve compliance.</p>	<p>The following misstatements identified by the audit have been amended by management:</p> <p>Waterside Farm leisure centre retention</p> <p>Our testing identified that a £130,000 retention in respect of the refurbishment of Waterside Farm Leisure Centre had been incorrectly classified as a short term creditor. An amendment has been made to the financial statements to include this balance within long term creditors.</p>

Unadjusted audit differences	Audit issues and impact on opinion
<p>We are required to report to you unadjusted audit differences that relate to the current financial year (including those arising in previous periods that have an effect on the current year financial statements) and the effect that they have individually, or in aggregate, on the auditors' report, except for those that are clearly trivial.</p> <p>The overall impact of correcting these items would reduce the reported deficit for the year and increase the general fund (and reserves) by £157,000 as set out at Appendix II.</p>	<p>Capital additions to council dwellings</p> <p>As in prior years, the Council has capitalised salaries of £89,000 in relation to staff working on Housing Revenue Account capital projects in 2012/13. For staff costs to be capitalised, they must be directly attributable to an asset. As in prior years, the Council has been unable to demonstrate that this is the case.</p> <p>The Council should therefore retain adequate records to support capitalised staff time so that it is able to demonstrate it has complied with the requirements of the Code when it chooses to recognise such expenditure on the balance sheet rather than as a revenue expense.</p> <p>Valuation of assets of a specialist nature</p> <p>The Code requires that assets be carried in the balance sheet at fair value. Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Furthermore, where DRC is used as the basis for valuation, this should reflect the 'instant build' approach to comply with central government guidance.</p> <p>The Council's leisure centres are valued on a DRC basis, Waterside Farm Leisure Centre was subject to revaluation in 2012/13. Our review of the valuations undertaken during 2012/13 identified that, where DRC had been applied, it did not reflect the instant build approach. The Waterside Farm Leisure Centre was the most significant asset affected. This has resulted in the carrying value of these assets being overstated by £203,000 at the balance sheet date.</p> <p>Management have opted not to adjust for this error as the asset will be subject to revaluation again in 2013/14 following completion of the renovation project. However, in future the Council should ensure that the correct valuation basis is applied to specialist property.</p> <p>Repossession prevention fund</p> <p>The Council received a central government grant in 2011/12, the suggested purpose of which was to assist residents at risk of repossession. However, there were no formal conditions attached to the grant and the monies were not ring fenced. The correct treatment of grants with no conditions attached is to recognise the income when the grant is received. However, the Council incorrectly accounted for the funding in the prior year and recognised the grant as a balance sheet liability. No prior period restatement is required because the amount is not material. As at the 31 March 2013, £30,000 of the grant remains and is shown as a short term creditor on the balance sheet.</p> <p>The Council should ensure the future grants received are correctly recognised in accordance with the Code.</p>

Thames Gateway South Essex Partnership (TGSEP) and Housing Group (TGSEHG)

The Council's role is as accounting body for this partnership and it is responsible only for processing the transactions of the TGSEHG. Therefore, the financial statements of the Council should not reflect the balance held on behalf of the partnership,. Consequently, creditors are overstated by £157,000, with a corresponding overstatement of cash assets.

Classification between short- and long-term creditors

Testing of sample of creditors identified four long-term creditors which had been incorrectly classified as short-term creditors. As noted above, the Council has agreed to amend for one of these items (the retention in relation to the refurbishment of Waterside Farm Leisure Centre). The other misstatements relate to amounts received in prior years in respect of new street deposits and money to be spent on the repairs and maintenance of leaseholder properties. As we have identified more than one error across different types of transaction, we are unable to conclude that this error is isolated. Our extrapolated estimate of the total misclassification between long and short term creditors is £356,000.

Netting of debtors and creditors

Testing of a sample of creditors identified one instance where the value had been presented net of a debtor of £8,726. Due to the nature of the error, we were unable to conclude that it is isolated. Our extrapolated estimate of the total understatement of both debtors and creditors is £19,000.

Expenditure relating to Housing Revenue Account (HRA)

Testing of a sample of expenditure items recognised in the HRA account identified one item for £3,054 which related to the 2013/14 financial year but which had been recognised in 2012/13. Due to the nature of the error, we are unable to conclude that it is isolated. Our extrapolated estimate of the overstatement of HRA expenditure and understatement of reserves is £67,000.

Overstatement of expenditure

Our review of post year end payments identified one payment of £9,350 made for services to be provided from 1 March 2013 to 28 February 2014. The whole invoice had been accrued in 2012/13 and therefore expenditure is overstated by 11 months, i.e. £8,570. Due to the nature of the error identified we were unable to conclude it was isolated and have calculated a projected misstatement of £150,603.

Overstatement of bad and doubtful debt provision

As stated previously, the Council's current provision value falls outside our tolerable range based upon current collection rates. Therefore, we have recoded a £28,000 unadjusted audit difference.

FINANCIAL STATEMENTS

Matters required to be reported by other auditing standards

Whole of Government Accounts	Audit issues and impact on opinion
<p>We are required to perform tests with regard to the WGA return prepared by the Council for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the WGA return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.</p>	<p>Our work to review the consistency of the whole of government accounts return with the audited financial statements is in progress and a verbal update will be given to the Audit Committee on 23 September 2013.</p>
Annual Governance Statement	Audit issues and impact on opinion
<p>We have reviewed the draft Annual Governance Statement and are satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.</p>	<p>We have no matters to report.</p>

CONTROL ENVIRONMENT

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

SIGNIFICANT DEFICIENCIES

We identified the following significant deficiencies in internal control.

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
SEGREGATION OF DUTIES IN INVOICING AND CASH RECEIPTING	It was identified that 18 officers have access to both E-Fin and PARIS and are therefore able to raise invoices, credit notes and refunds and also receipt cash.	The risk of misappropriation is increased if an individual is able to raise invoices and record receipts.	Management should review the permissions for invoicing and receipting functions to ensure there is appropriate segregation of duties.	See action plan in Appendix V.
EMPTY PEROPERTY RELIEF FOR COUNCIL TAX	The Council has a policy whereby it visits properties to which an empty property exemption has been applied within one week of the exemption being applied or as soon as practicable thereafter. Our testing of this control identified that, out of 15 such exemptions applied during 2012/13, 2 were not subject to the required visit.	There is a risk than an exemption may continue to be inappropriately applied to properties not subject to a visit by council officers.	Management should ensure that officers undertake visits of properties to which an empty property exemption has been applied in accordance with the Council's policy.	See action plan in Appendix V.

OTHER DEFICIENCIES

These have been discussed with management and appropriate actions agreed as set out in Appendix V.

USE OF RESOURCES

Key audit matters

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).

In accordance with our Audit Plan, our principal work in arriving at our value for money conclusion was comparing the Council’s performance against the requirements specified by the Audit Commission in its guidance to auditors. This is based on the following two reporting criteria:

- the organisation has proper arrangements in place for securing financial resilience
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The focus of the criteria for 2012/13 is:

- the organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity
- undertaking other local risk-based work, as appropriate.

Our work considered the outcome from the Audit Commission’s financial ratio tool and value for money profiles tool as well as a review of the medium term financial strategy, performance reports and strategic and operational planning documents. Discussions were held with key officers to confirm and update our knowledge as part of the process.

Financial resilience	Audit issues and impact on opinion
<p>The draft 2012/13 financial statements report that the Council has realised a deficit of £770,000 but after adjustments between accounting and funding basis has recognised an increase of £459,000 in its usable reserves (comprising the general fund, earmarked reserves, housing revenue account and usable capital reserves) when compared to the closing balances in 2011/12.</p> <p>The Council has set a balanced budget for 2013/14 without the use of reserves. In addition, certain earmarked reserves were also budgeted to be drawn down in 2013/14 toward the funding of specific projects, such as the completion of the Waterside Farm Sports Centre improvements. It may be necessary for the Council to utilise its general reserves if it is unable to achieve the necessary savings required to ensure a balanced budget in future years. However, the forecast general reserves at the end of 2013/14 are £3.2m, which is still notably higher than the Council’s policy on the minimum level of reserves of £1.1m.</p> <p>The Council identified a budget gap of £772,000 for 2014/15 in the most MTFs approved in February 2013, where savings were required to be identified. To address this gap, and support the medium term projections, a £1m efficiency savings target has been set. This target is to be achieved through the on-going efficiency work programme. Since the budget was set significant progress has been made against this target, and regular internal reports on the programme are submitted to the Executive Management Team. The Council has a</p>	<p>We have no matters to report however we will continue to monitor the Council’s reserve position.</p>

track record of delivery against savings targets and realised over £1m of cashable savings in 2012/13.

Challenging economy, efficiency and effectiveness

The Council has an on-going efficiency agenda which continues to identify savings. This has identified a number of new projects which are due to begin in 2013/14.

The Council makes use of consultation, option appraisal and partnership working to assist in achievement of savings and delivery of improved services. Benchmarking is not utilised by the Council in this process as limited value was gained from participating in various groups. The challenge comes through the efficiency work programme. Examples of services that have been reviewed are leisure, housing and environmental health where costs have been reviewed in detail.

The Council have introduced a 'How it works' document to ensure its key business processes are operating consistently across the Council. The Council are also in the process of updating their corporate business plan, with a revised set of corporate priorities. Alongside this, the directorate and service planning processes have been streamlined, driven by simpler template plans to be completed by managers. The revised corporate plan and priorities will need to drive future spending plans and performance indicators.

In 2012/13, as previously mentioned, the outturn position was favourable compared to the forecast budget outturn position. Wider, non-financial performance is monitored by Cabinet on a quarterly basis where current progress is challenged and monitored. Key achievements in 2012/13 were the Olympic mountain bike event at Hadleigh Farm, continued improvement in the recycling rates and first contact reported performance indicators. The challenge for the Council continues to be the delivery of affordable housing and providing additional housing.

Audit issues and impact on opinion

We have no matters to report.

BDO CONCLUSION

Our value for money conclusion is based on considering our overall risk assessment, focusing on the two criteria set by the Audit Commission, and the results of risk based audit work, as well as consideration of the processes underpinning your review of the effectiveness of your controls as described in your Annual Governance Statement.

We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013. We propose issuing an unqualified value for money conclusion.



APPENDICES

APPENDIX I: DEFINITIONS

TERM	MEANING
The Council	Castle Point Borough Council
Management	The person(s) responsible for achieving the objectives of the Council and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for the financial statements, including designing, implementing, and maintaining effective internal control over financial reporting.
Those charged with governance	The person(s) with responsibility for overseeing the strategic direction of the Council and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance for the Council are the Audit Committee.
ISAs (UK & Ireland)	International Standards on Auditing (UK & Ireland)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards as adopted by the European Union
Materiality	The size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement.
Code	Code of Practice on Local Authority Accounting in the United Kingdom 2012/13
CIES	Comprehensive Income and Expenditure Statement
SeRCoP	Service Reporting Code of Practice for Local Authorities 2012/13
WGA	Whole of Government Accounts

APPENDIX II: UNADJUSTED AUDIT DIFFERENCES

We are required to bring to your attention unadjusted audit differences that the Audit Committee are required to consider. A schedule of such adjustments is included below and, with the exception of the differences that relate to prior year misstatements, we request that you correct them. Identified misstatements for the current year should, where practicable, be corrected even if not material.

There are eight unadjusted audit differences identified by our audit work for the current year, which would increase the draft deficit on the CIES and net assets by £157,000. Management considers these identified misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement.

	CIES (OVER) / UNDER	CURRENT YEAR		PRIOR YEAR		NET ASSETS OR RESERVES OVER / (UNDER) £'000
		INCOME (OVER) / UNDER	EXPENSES (OVER) / UNDER	INCOME (OVER) / (UNDER)	EXPENSES (OVER) / UNDER	
UNADJUSTED AUDIT DIFFERENCES	£'000	£'000	£'000	£'000	£'000	£'000
Deficit for the year before adjustments	3,782					46,474
Impact of prior year misstatements (no adjustment required in 2012/13)						
Being the projected misstatement associated with invoices posted to the 2012/13 financial year but which relate to the 2011/12 financial year.			(100)		100	
Misstatements identified in the current year						
(1) Being the understatement of expenses due to staff costs associated with capital works being incorrectly capitalised.	89		89			(89)
(2) Being the amount by which the revaluation gain in relation to Waterside Farm Leisure Centre is overstated due to incorrect valuation basis being applied.						(203) 203

UNADJUSTED AUDIT DIFFERENCES	CIES (OVER) / UNDER £'000	CURRENT YEAR		PRIOR YEAR		NET ASSETS OR RESERVES OVER / (UNDER) £'000
		INCOME (OVER) / UNDER	EXPENSES (OVER) / UNDER	INCOME (OVER) / (UNDER)	EXPENSES (OVER) / UNDER	
		£'000	£'000	£'000	£'000	
(3) Being the overstatement of creditors due to incorrect recognition of grant as a liability when there were no attached conditions						30 (30)
(4) Being the balances relating to the Thames gateway South Essex Housing Group for whom the Council act as the accounting body.						(157) 157
(5) Being the extrapolated estimate of the classification misstatement between long term and short term creditors balances, where the short term creditor is over stated.						356 (356)
(6) Being the extrapolated estimate of the misstatement in relation to the netting down of debtor and creditor balances.						19 (19)
(7) Being the extrapolated estimate of the overstatement of HRA expenditure due to incorrect treatment of a pre-payment.	(67)		(67)			67
(8) Being the projected overstatement of expenditure for the over accrual of expenses.	(151)		(151)			151
(9) Being the estimated overstatement of the bad and doubtful debt provision value based upon current collection rates.	(28)		(28)			28
TOTAL UNADJUSTED AUDIT DIFFERENCES	(157)		(257)		100	157
Deficit for the year and net assets if adjustments accounted for	3,625					46,631

UNADJUSTED DISCLOSURE MATTERS

The following unadjusted disclosure matters were noted:

The Council has reported the provision for insurance repayment of £114,000 as an exceptional item on the face of the CIES. For items to be reported as exceptional, they must be material to the financial statements. We do not agree that this item is of sufficient value to be considered material and therefore should not be reported as an exceptional item (note that the value itself is considered to be appropriate).

The Council has disclosed accounting policies relating to intangible assets and assets held for sale even though it does not hold any assets of either type. An accounting policy is also included in relation to prior period adjustments when there have been no such adjustments made in the 2012/13 financial statements. Accounting policies should only be included when they are material to the accounts.

APPENDIX III: MATERIALITY

MATERIALITY	
Planning materiality	£548,000
Final materiality	£548,000
Clearly trivial threshold	£16,000

Planning materiality of £548,000 for the Council was based on 1% of gross expenditure. The figure was based on the full year outturn per the draft financial statements and we have no reason to revise this figure for our final materiality level.

APPENDIX IV: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	MAXIMUM ALLOWABLE YEARS INVOLVEMENT
LISA CLAMPIN - Audit engagement partner	1	5 (Plus 2 with prior approval from the Audit Commission)
ZOE THOMPSON - Senior Manager	6	10
BARRY PRYKE - Supervisor	2	N/A

INDEPENDENCE - THREATS TO INDEPENDENCE AND APPROPRIATE SAFEGUARDS

We have not identified any potential threats to our independence as auditors of the 2012/13 financial statements.

We confirm that the firm complies with the APB Ethical Standards and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

APPENDIX V: ACTION PLAN

FINANCIAL STATEMENT RECOMMENDATIONS				
CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
The Council has capitalised staff salaries costs in the current and previous years for work on HRA projects. For staff time to be capitalised, it must be directly attributable to the asset against which the expenditure is to be capitalised. The Council has been unable to demonstrate this is the case as in prior years.	Capitalisation of staff time should be compliant with the requirements of the Code. If the Council wishes to capitalise staff time, this should be done based on time sheets or other similar records showing how the officer has spent their time.	Consideration was given to this item following the 2011/12 audit, and the item will be removed from 2013/14 onwards, with adjustments to the additional transfer between HRA and Major Repairs Reserve to avoid any impact on HRA revenue balances.	Ian Stapleton	31 st March 2014
Specialist property has not been recognised on the correct valuation basis (depreciated replacement cost - instant build). This is not compliant with the Code.	Value and account for specialist property on the basis of depreciated replacement cost - instant build.	The valuers provided explanation for their valuation for the asset in question, however this will be monitored for any applicable future valuations. The asset in question was already intended to have a further revaluation in 2013/14.	Ian Stapleton	31 st March 2014
Testing of creditors has identified several items which have been misclassified between short- and long-term.	As part of the accounts closedown process, undertake a thorough review of creditor balances to confirm that they are correctly classified in the financial statements.	The particular items are unique in nature and not indicative of the remainder of the creditor balances, but additional consideration will be given in future years to any other potential long term items	Ian Stapleton	31 st March 2014
We identified cut off errors during our work i.e. items relating to 2013/14 which have been recognised in 2012/13 and vice versa.	Review supplier invoices received that span the year end e.g. licences, on a sample basis to ensure that they have been posted to the correct financial year.	Adjustments of this nature are performed. One item was missed and has been noted for future years	Ian Stapleton	31 st March 2014
The methodology applied in estimating the allowance for doubtful debts across all categories of debtor should be kept under review as, in the case of council tax, housing rent and housing benefit debtors, the provision levels applied to debtors over one year suggest lower collection rates are being achieved compared to actual	Review the bad and doubtful debt provision calculation at the year end for council tax, housing rent and housing benefit debtors and adjust to reflect current collection rates.	Provision calculations will be re-reviewed where relevant.	Ian Stapleton	31 st March 2014

FINANCIAL STATEMENT RECOMMENDATIONS				
CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING

recent performance levels and therefore the provision level is potentially overstated.

INTERNAL CONTROL RECOMMENDATIONS				
CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING

It was identified that 18 officers have access to both E-Fin and PARIS and are therefore able to raise invoices, credit notes and refunds and also receipt cash.

Review and amend the permissions for invoicing and receipting functions to instate appropriate segregation of duties.

Due to the small size of the council, it is impractical to separate the duties of officers between the two applications. However a review of user accesses will be undertaken.

Dominic Green/Ian Stapleton

31st December 2013

The Council has a policy whereby it visits properties to which an empty property exemption has been applied within one week of the exemption being applied or as soon as practicable thereafter. Our testing of this control identified that, out of 15 such exemptions applied during 2012/13, 2 were not subject to the required visit.

Undertake visits of properties to which an empty property exemption has been applied in accordance with the Council's policy.

Procedures have now been updated.

Gary Burns

September 2013

Internal Audit identified that there were two staff members that held two swipecards to the cashiers office and two other staff members of staff that hold a swipecard but their role does not require them to have access to the cashiers office.

Recall surplus passes that allow entry to the Cashier's Office and ensure they are allocated to appropriate individuals.

Access to the cashiers office is no longer based on the use of swipecards. Due to an office reorganisation, the cashiers office has moved to a secure area which access to is by lock and key. Keys to this office are locked away and only officers who require access have these keys.

Dominic Green

31st August 2013

APPENDIX VI: FEES SCHEDULE

The Audit Commission's *Standing Guidance for Auditors* requires us to report the outturn fee position for the year against the budgeted fee included within our Audit Plan. We do not anticipate any variation from the Audit Commission's published scale fee reported on page 3.

	CURRENT YEAR OUTTURN FEE	FEE PER 2012/13 AUDIT PLAN	PRIOR YEAR FEE
	£	£	£
Code audit	74,120	74,120	123,534
Grant certification	26,900*	26,500**	51,251
Non audit services	-	-	1,361
TOTAL FEES	101,020	100,620	176,146

*estimate

** Updated since issuing our 2012/13 Audit Plan, to reflect the revised scale fee published by the Audit Commission.

APPENDIX VII: STATUTORY AND PROFESSIONALLY REQUIRED COMMUNICATIONS

COMMUNICATION REQUIRED	DATE COMMUNICATED	TO WHOM	METHOD
	23 September 2013	Management and those charged with governance	Report to Audit Committee
Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.	No matters to report	No matters to report	No matters to report
Misstatements, whether or not recorded by the entity	✓	✓	✓
The final draft of the representation letter	✓	✓	✓
Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern	No matters to report	No matters to report	No matters to report
Disagreements with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or our audit report	No matters to report	No matters to report	No matters to report
Expected modifications to our audit report or inclusions of emphasis of matter / other matter	No matters to report	No matters to report	No matters to report
Significant deficiencies in internal control	✓	✓	✓
Any other matters warranting attention by those charged with governance, such as questions regarding management integrity, and fraud involving management	No matters to report	No matters to report	No matters to report
Management judgements and accounting estimates	✓	✓	✓
Other information in documents containing audited financial information	✓	✓	✓
Consultation with other accountants	No matters to report	No matters to report	No matters to report
Major issues discussed with management	No matters to report	No matters to report	No matters to report

APPENDIX VIII: DRAFT REPRESENTATION LETTER

The following draft letter of representation covers the Council's Statement of Accounts. Representations for the preparation of the Statement of Accounts will be sought from the Head of Resources and from Members on behalf of the Council in relation to its responsibility to approve the Statement of Accounts and the Annual Governance Statement.

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
IP3 9SJ

23 September 2013

Dear Sirs

Financial statements of Castle Point Borough Council for the year ended 31 March 2013

This representation letter is provided in connection with your audit of the financial statements of Castle Point Council for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with the relevant financial reporting framework and have been prepared in accordance with the requirements of applicable law.

I confirm to the best of my knowledge and belief, and having made appropriate enquiries of directors and officers of the Council, the following representations given to you in connection with your audit of the Council's financial statements:

FINANCIAL STATEMENTS

Responsibility for financial statements

I acknowledge as the Head of Resources and s151 Officer my responsibilities for the Statement of Accounts, which include the financial statements, and for ensuring that these are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and have been prepared in accordance with the requirements of applicable law.

Significant assumptions

I confirm that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

(a) Pension fund assumptions

I confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with my knowledge of the business. These assumptions include:

• Rate of inflation (RPI)	3.3%
• Rate of inflation (CPI)	2.5%
• Rate of increase in salaries	4.3%
• Rate of increase in pensions	2.5%
• Expected return on assets	5.8%
• Rate for discounting scheme liabilities	4.1%
• Take up option to convert the annual pension into retirement grant	50%

I also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

(b) Pension fund investments fair values

Where required, the value at which assets and liabilities are recorded in the pension fund net assets statement is, in my opinion, the market value. I am responsible for the reasonableness of any significant assumptions underlying the valuation. Unquoted, private equity and infrastructure investments held by fund managers within funds are valued at fair value by the fund managers. Where there is no active market where prices can be readily observed for these funds, I am satisfied that appropriate assumptions have been applied by the fund managers when valuing the share of the fund held by the pension fund.

(c) Carrying value of land and buildings

I am satisfied that the carrying value of land and buildings is materially consistent with the fair value at 31 March 2013, and that no adjustment is required to those assets that were revalued as part of the five-year rolling programme in previous years.

(d) Valuation of housing stock

I am satisfied that the useful economic lives of the housing stock and its constituent components, used in the valuation of the housing stock and the calculation of the depreciation charge for the year are consistent with those advised to me by the expert valuer appointed by the Council to provide this information.

I also confirm that the difference between the depreciation charged in the financial statements is not materially different to that which would have been charged if the housing stock was fully componentised.

Accounting policies

I confirm that the selection and application of the accounting policies used in the preparation of the financial statements are appropriate.

Plans or intentions

I confirm that the Council has no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims, the effects of which should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the applicable financial reporting framework.

Related parties

I confirm that related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the applicable financial reporting framework.

Subsequent events

All events occurring subsequent to the date of the financial statements for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

Uncorrected misstatements

You have brought to my attention potential misstatements in the financial statements as listed in the appendix to this letter. I do not wish to amend the financial statements to reflect any of these items as I believe that they are immaterial both individually and in aggregate to the view given by the financial statements as a whole.

Going concern

I confirm that I am satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this conclusion I have taken into account all relevant matters of which I am aware and have considered a future period of at least one year from the date on which the financial statements will be approved.

INFORMATION PROVIDED

Completeness of information

All the accounting records have been made available to you for the purpose of your audit. I have provided you with all other information requested and given unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence. All other records and related information, including minutes of all management and Committee meetings held during the year and up to the date of this letter have been made available to you.

All transactions undertaken by the Council have been recorded in the accounting records and are reflected in the financial statements.

There is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

Internal Control

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have communicated to you all significant deficiencies in internal control of which I am aware.

Fraud

I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

I am not aware of any fraud or suspected fraud affecting the financial statements, nor have any allegations of fraud or suspected fraud affecting the financial statements been communicated to me by employees, former employees, councillors, regulators or others.

Compliance with laws and regulations

I am not aware of any actual or possible instances of non-compliance with laws and regulations whose effects should be considered when preparing the financial statements of the Council.

Related parties

I confirm that I have disclosed to you the identity of the Council's related parties, related party relationships and transactions of which I am aware.

Liabilities, contingent liabilities or guarantees

There are no liabilities, contingencies or guarantees to third parties other than those disclosed in the financial statements.

Title to assets

The Council has satisfactory title to all assets and there are no liens or encumbrances on the assets except for those disclosed in the financial statements.

Contractual agreements

The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

Yours faithfully

C Mills
Head of Resources

Representations of the Council

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the Council's financial statements.

Responsibility for the financial statements

We acknowledge our responsibilities to make arrangements for the proper administration of the Council's financial affairs and to approve the Statement of Accounts, which include the financial statements. The Head of Resources and s151 Officer is responsible for the preparation of the Statement of Accounts, which include the financial statements, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

Uncorrected misstatements

We have considered the uncorrected misstatements in the financial statements as listed in the Appendix to this letter together with the explanations provided by the Head of Resources for not correcting these misstatements, and we consider them to be immaterial to the view given by the financial statements.


Annual Governance Statement

We confirm that the Council has conducted a review during the year of the effectiveness of its system of internal control. We are satisfied that the Annual Governance Statement appropriately reflects the circumstances of the Council and includes an outline of the actions taken, or proposed, to deal with significant internal control issues.

Yours faithfully

Councillor Clive Walter
Chair of the Audit Committee

For and on behalf of Castle Point Borough Council



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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AUDIT COMMITTEE

23 September 2013

Subject: Treasury Management Activity Mid-Year Report

Report of the: Head of Resources

Report Author: Ian Stapleton – Financial Services Manager

1. Purpose of Report

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

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

2. Links to Council's priorities and objectives

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

3. Recommendation:

That following scrutiny, the Treasury Management Activity Mid-Year Report for 2013/14 is approved, and submitted to Council.

Resolution required.

4. Treasury Management Activity Mid-Year Report 2013/14

4.1 Introduction

- 4.1.1 Treasury management is:- *“The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*
- 4.1.2 The Code of Practice requires the Council to annually set a Treasury Management Strategy and Investment Strategy. The strategies for the 2013/14 financial year were approved by Council on 20th February 2013.
- 4.1.3 This report confirms that Treasury Management activity during the year to date has been undertaken in accordance with strategy and in consultation, where appropriate, with our external adviser, Sector Treasury Services Ltd.

4.2 Borrowing

- 4.2.1 There have been no changes in the Council’s borrowing position from that reported at the end of the previous financial year, other than timed and budgeted interest repayments. A summary of external borrowing at 31st August 2013 is shown at Annexe A for the General Fund and Annexe B for the HRA debt.
- 4.2.2 Annexe A shows that interest paid on General Fund borrowings for the year to date is £8 (0.0%) less than budgeted.
- 4.2.3 Annexe B shows that interest paid on HRA borrowings is £21 (0.0%) more than budgeted.
- 4.2.4 As previously reported to Audit Committee members the Council has £2m of General Fund debt maturing in December 2013. It is anticipated, in agreement with Sector, that this debt will not need to be replaced with new loans, resulting in a reduction in overall debt levels and a corresponding saving in annual interest costs.

4.3 Investments

- 4.3.1 The investment activity during the year to date conforms to the approved strategy, and the Council has had no liquidity difficulties. Investments are managed internally using only those institutions which meet the Council’s strict investment criteria, within a permissible range of periods, depending on the Council’s cash flow and the interest rates on offer.
- 4.3.2 Investments to date in 2013/14 continue to be primarily with AAA rated Money Market Funds. A Money Market Fund is a pooled source of funds invested in a wide range of short term investments, and managed by an independent fund management company. Frequently these are well known banks or investment houses. AAA is the highest investment rating available and means that there is very low credit risk in an institution which is awarded that rating.
- 4.3.3 Funds have also on occasion been placed with the Debt Management Office (DMO), an executive agency of HM Treasury.

- 4.3.4 With the exception of the DMO, no individual deposit with any institution exceeds £2m at any one time and the maximum term for an investment is currently limited to three months. Internal guidance ensures that at least 60% of its investments at any time are placed with institutions rated AAA.
- 4.3.5 Annexe C summarises the Council's temporary investment activities for the year to date. The amount available for investment varies daily according to the Council's aggregate financial position on all activities. As at the end of August 2013 the amount invested was £15.7m and the average amount invested for the year to date was £17.2m.
- 4.3.6 Annexe C also shows that the amount of interest received on investments to date is £23,688. This is over budget by £5,988 (33.8%). Average investment interest rates are currently slightly lower than budgeted - the LIBID rate (London Inter Bank Bid Rate - the rate at which major London banks borrow from each other) for 2013/14 to date is 0.36%. The average rate earned to date in the current year by the Council is 0.33%, i.e. slightly below LIBID. However this is compensated by investment balances which are currently more than budgeted, resulting in more income than budgeted.
- 4.3.7 Any changes required to the interest budgets will be addressed in the forthcoming budget cycle.

4.4 Benchmarking

- 4.4.1 The current position on three benchmark indicators for 2013-14, explained in the Annual Investment Strategy, is reported as follows:
- Security - Weighted Credit Rating Score for the year to date of 7 exceeds the target of 4.
 - Liquidity – Weighted Average Life remains at an extremely liquid level, currently averaging 1 day.
 - Yield – Interest received on investments currently exceeds target as reported above

5 Corporate Implications

a Legal implications

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

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

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

b Financial implications

Any required changes in interest estimates will be implemented as part of the forthcoming 2014/15 budget cycle.

c Human resource and equality implications

There are no new implications.

d Timescale for implementation and risk factors

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

6 Conclusion

The results for the five months to 31st August 2013 continue to demonstrate prudent and efficient treasury management.

Background Papers:

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

CPBC: *Treasury Management and Investment Strategy Statement for 2013/14*.

**Summary of General Fund Loan Transactions and Interest Payable (accrued daily)
for the period to 31st August 2013**

Annexe A

Loan Transactions Activity for the Period

Type of Loan	Amount o/s 01/04/2013 £	Loans Repaid £	Amount o/s 31/08/2013 £
Public Works Loan Board	7,325,112	0	7,325,112
Total	7,325,112	0	7,325,112

**Interest Payable
Comparison of Estimate with Actual**

Original Estimate 2013/14 £	Actual Interest 31/08/2013 £	Variance 31/08/2013 £	
168,800	168,792	8	
168,800	168,792	8	0.0%

Interest Rates

Average interest rate on Castle Point B.C.
loans outstanding for the period to 31/08/13 5.50%

Interest Rates	From	Range	To
Public Works Loan Board	3.700%		9.375%

Bank Base Rates

	%
11/01/2007	5.25
11/05/2007	5.50
06/07/2007	5.75
06/12/2007	5.50
07/02/2008	5.25
09/04/2008	5.00
08/10/2008	4.50
06/11/2008	3.00
04/12/2008	2.00
08/01/2009	1.50
05/02/2009	1.00
05/03/2009	0.50
31/08/2013	0.50

Summary of HRA Loan Transactions and Interest Payable (accrued daily) for the period to 31st August 2013

Annexe B

Loan Transactions Activity for the Period

Type of Loan	Amount o/s 01/04/2013 £	Loans Repaid £	Amount o/s 31/08/2013 £
PWLB HRA	36,451,000	0	36,451,000
Total	36,451,000	0	36,451,000

Interest Payable Comparison of Estimate with Actual

Original Estimate 2013/14 £	Actual Interest 31/08/2013 £	Variance 31/08/2013 £	
457,300	457,321	-21	
457,300	457,321	-21	0.0%

Interest Rates

Average interest rate on Castle Point B.C.
loans outstanding for the period to 31/08/13 2.98%

Interest Rates	Range From	To
Public Works Loan Board	2.310%	3.490%

Bank Base Rates

	%
11/01/2007	5.25
11/05/2007	5.50
06/07/2007	5.75
06/12/2007	5.50
07/02/2008	5.25
09/04/2008	5.00
08/10/2008	4.50
06/11/2008	3.00
04/12/2008	2.00
08/01/2009	1.50
05/02/2009	1.00
05/03/2009	0.50
31/08/2013	0.50

Summary of Temporary Investments and Interest Received (accrued daily) for the period to 31st August 2013

Type of Borrower	Amount Invested 01/04/2013 £	Investments Made in the Year £	Investments Repaid in the Year £	Amount Invested 31/08/2013 £
Investments by Value:				
Debt Management Office	0	16,520,000	16,520,000	0
Local Authorities	0	0	0	0
Money Market Funds	12,200,000	39,930,314	36,460,314	15,670,000
Co-op Bank plc - Call Account	1,033,599	2,202,416	4,172,624	0
Building Societies	0	0	0	0
Total	13,233,599	58,652,730	57,152,938	15,670,000
Number of Investment Transactions:				
	Number	Number	Number	Number
Debt Management Office	0	11	11	0
Local Authorities	0	0	0	0
Money Market Funds	22	49	50	21
Co-op Bank plc - Call Account	9	13	22	0
Building Societies	0	0	0	0
Total	31	73	83	21

Interest Received on Temporary Investments for the period to 31st August 2013

	£
Actual Interest Received	23,688

Original estimate	17,700
-------------------	--------

Variance	5,988
	33.8%

Temporary Investments

Average Balance for the Period	17,232,540
Average Interest Rate for the Period	0.33%
Benchmark: Average 7-Day LIBID Rate	0.36%

AGENDA ITEM NO.

Committee: AUDIT

Date: 23rd September 2013

**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 from an earlier report that governance arrangements are subject to development. Individual staff leads are taking responsibility for the governance processes set out below. Governance Group has been formed and has helped to develop the manager's assurance statement for this financial year. This statement has been distributed to managers and a briefing has been undertaken to Operational Management Team to ensure they are fully aware of the requirements.

3. Monitoring Results for Key Governance Processes

3.1 Community Engagement

- 3.1.1 Assurance arrangements are undergoing development. Services undertake specific consultation as required. A review is currently being undertaken of member ward meetings (previously Community Liaison Group) and will be subject to monitoring and evaluation. The Council is currently re-developing its corporate plan which included a separate consultation action plan to ensure adequate engagement with the community. A process to begin recording key consultation activities to enable more effective forward planning and consideration of

3.2 Business Strategy and Planning

- 3.2.1 The arrangements for business strategy and planning are adequate. A survey of managers has recently been undertaken and has found that most services have a team plan and all departments have a department plan.
- 3.2.2 The quality of plans varies and a further briefing session will be undertaken with Operational Management Team to help ensure greater consistency. The

feedback from managers is that the team plan template is generally appropriate and clear. However, it is envisaged that some amendments will be undertaken in preparation for the new service planning proves in October to ensure sufficient focus on key corporate requirements and to ensure the requirements of an earlier Internal Audit report on service planning is met.

3.3 Financial Planning, Reporting and Budgetary Control

- 3.3.1 Generally 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 members of the Cabinet on a monthly basis. Variances at year end are reported on all service areas, with commentary on those in excess of +/- £10k, and analysis of changes in income and expenditure from the previous financial year. External assurance has been provided by the annual audit of the Council's Statement of Accounts and the work of external audit. The processes in place give adequate officer and member assurance.
- 3.3.2 The Council maintains a five year rolling financial forecast which is reviewed and reported through to Cabinet on a quarterly basis unless there is no significant change to report. The forecast is supported by three years detailed budget workings with the final two years of the forecast being adjusted for future anticipated cost pressures. Assumptions adopted in the forecast are contained in a detailed report made to Special Council in February annually.
- 3.3.3 The Council maintains a level of reserves in excess of the minimum level recommended by the Council's Chief Finance Officer and has set a balanced budget for 2013/14. Full Council agreed the Policy Framework and Budget Setting report in February which includes the financial planning strategy, the medium term financial forecast and a summary of completed efficiency work.
- 3.3.4 The recent Peer Challenge of the Council has recommended that the Council continues to deliver the message of the financial challenge, investigate the strategic options and demand management. This will be undertaken through the corporate planning process and will be linked into the development of the medium term financial forecast and efficiency programme.

3.4 Asset Management

- 3.4.1 There are adequate routine assurance processes for Asset Management which include bi-monthly Asset Management sessions, which are integrated into programmed meetings of the Operational Management Team. Significant Asset Management based projects conform to the Councils project management methodology (PROMPT) and are reported to Cabinet.
- 3.4.2 Following consultation a profiled budget has been generated to deal with planned maintenance to corporate properties and completion of works is planned within the lifetime of the medium term financial forecast. Furthermore from April the service implemented a pro-active planned preventative maintenance programme (PPM) that will ensure corporate buildings are properly maintained and compliant through statutory inspections, cyclical maintenance to primary plant installations and planned repairs and maintenance to the fabric of buildings all of which are centrally managed.

3.5 Policy Framework

- 3.5.1 The policy framework operates satisfactorily, and policies and strategies largely continue to be refreshed by services. A register of policies and strategies is in place as well as guidance on the elements of a good strategy or policy and an assessment of key policies and strategies. The policy framework is set out in the Business Planning and Budget Framework and was reported to cabinet in earlier this month. Following the completion of a revised corporate plan, it is envisaged that there will be some further work to clarify the strategy for partnership working as set out in the community strategy for the Local Strategic Partnership.

3.6 Risk Management including Fraud & Corruption, Whistle blowing, and Health & Safety

- 3.6.1 There are satisfactory arrangements in place. Whistleblowing, Anti Fraud and Corruption and Anti Money Laundering Policies were updated earlier this year. The approach to health and safety includes the maintenance of an electronic database of risk assessments to support control arrangements in place. The monitoring arrangements have further developed with monthly monitoring reported to corporate management team which includes any significant corporate issues. Secondary reporting is submitted through an operational H&S report by each service area with monthly monitoring reported to corporate management team which includes any significant operational issues.
- 3.6.2 The corporate risk register was revised in earlier this year and continues to be considered by Executive and Corporate Management Teams. Time has been allocated in the Audit Plan 2013/14 to review aspects of the Council's risk management arrangements.

3.7 Business Continuity

- 3.7.1 Business Continuity arrangements require further development to ensure the processes are fully embedded as a number of manager's assurance statements stated partial rather than full compliance with the processes. Consequently further work is being undertaken or planned including the development of the manager's assurance statement, and a revised and simplified service level business continuity plan template. Further guidance will also be prepared to assist managers with this process. The actions will be incorporated into the identified governance issues for the Annual Governance statement and progress will be monitored and reported.

3.8 Performance Management

- 3.8.1 There are satisfactory arrangements in place. Internal Audit have recently completed an audit of these arrangements and found them to be adequate. Furthermore a recent review of performance management has been undertaken which has included a survey of operational managers. The review has identified several further areas for improvement, including greater consistency of highlight reporting, and a new process for highlight reporting to Executive Management Team is to be implemented later this month.

A significant issue is the lack of use of the Covalent performance management system to record and report performance indicator information. A project is currently being undertaken to explore alternative options, including the possible use of an open source software solution to save costs and implement an improved approach. Progress will be monitored and reported.

3.9 Data Quality

- 3.9.1 The arrangements require further development. The recent performance management survey demonstrated that whilst a significant number of services state that they check the quality of data, there were several that do not. There is no longer any corporate resource in place to check data quality and arrangements have been made to require operational managers to undertake checking. Further briefings will be made to operational management team to reinforce the requirements and expectations which are also set out in the 'How it Works' guidance.

3.10 Value for Money

- 3.10.1 Arrangements are in place and the assurance processes are operating appropriately. For example, a programme of work to identify and obtain efficiencies is in place for council services.

3.11 Procurement

- 3.11.1 There are satisfactory arrangements in place and the assurance processes are operating appropriately. A Procurement Group is integrated into the meetings of the Operational Management Team and assists in the implementation of corporate requirements.

3.12 Partnerships

- 3.12.1 Assurance processes are subject to further development work. The recent Peer Challenge recommended that the Council conducts a robust review of the strategic and operational partnerships, and the outcomes they deliver considering the future capacity constraints. Review work has begun and Council officers are currently analysing data on all of the operational and strategic partnerships in place elicit any opportunities for rationalisation and re-focus. This work will continue and once the corporate plan has been agreed, the priorities in the plan will help inform the focus for partnership working in the future.

3.13 Project Management

- 3.13.1 The arrangements are currently being re-developed. Whilst project management work is operating effectively within key projects, and the section 151 officer and EMT provide feedback for any significant projects as part of project initiation as well as monitoring where appropriate, the arrangements for smaller projects could benefit from further development. As a result the Head of Policy and Service Support is looking to develop the service plan template to identify and record any likely projects. The medium term financial forecast includes a list of service reviews which effectively form the key project work for the Council and this is used as the register for projects.

3.14 Complaints

- 3.14.1 Opportunities for further improvement have been identified. There is an established procedure and electronic database for complaints handling. The use of the database remains sporadic and Operational Management Team have been tasked to undertake a project to further improve the process for the recording and use of complaints information. Progress will be monitored and reported.

3.15 Member conduct

- 3.15.1 Satisfactory arrangements are in operation. A common code of conduct is in place with appropriate mechanisms including a governance committee.

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 and will be reviewed post implementation.

4. Corporate Implications

a. Legal implications

There are no direct legal implications arising from this report.

b. Financial implications

There are no direct financial implications arising from this report.

c. Human Resource & Equality

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

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

d. IT and Asset Management implications

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

5. Links to Council's priorities and objectives

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

6. Timescale for implementation and risk factors

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

Recommendation:

Committee are invited to consider the findings of this report as outlined in section 3 and question officers as appropriate.

Resolution required.

Background Papers: Local Code of Governance

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

AUDIT COMMITTEE

23 September 2013

Subject: Summary Audit Progress Report

1. Purpose of Report

To update the Audit Committee on progress made in delivering Internal Audit's Strategy for 2013/14.

2. Performance Targets

Appendix A contains details of performance against the 2013/14 targets which includes completion of the outstanding 2012/13 audits (see paragraph below), which in summary shows that:

- productivity was above target and time lost through sickness absence remained low
- the audit plan is being delivered in line with expectations.

3. Audit Plan

Appendix B shows the current status of audits planned to be delivered in the 2013/14 financial year where an auditor has been allocated to the job and work has started. Those left blank are still to be started.

Reviews outstanding from 2012/13 have been included in this appendix as they form part of the work to be delivered during this period.

The focus since April 2013 has been to:

- complete the 2012/13 financial systems work on the 10 key systems and finalise the action plans
- complete the work carried forward from 2012/13
- plan and start the first tranche of work from the 2013/14 audit plan.

The systems action plans have all been issued (the summary findings were reported to the June Audit Committee). Four reviews are substantially complete, with draft reports being produced for discussion with service managers for two of these. Two further 2013/14 reviews are in the planning stage with a view to the work commencing towards the end of September.

The team will shortly be reviewing the approach to be taken to auditing the key financial systems this year with a view to reducing the number of days required to do this work.

Resourcing

The service is still being resourced by a mixture of in house (40%) and bought in resources (60%), which is covering 1.5 vacant posts as well as providing specialist IT services.

There is still sufficient in house plus bought in resource to deliver the current audit programme for the year.

Implementing recommendations made

No reports have been revisited this quarter to validate that recommendations made have been implemented properly within a reasonable timescale.

4. Public Sector Internal Audit Standards

Attached at Appendix C is an Audit Charter which complies with the requirements of the new Public Sector Internal Audit Standards (the Standards). The essence of what the Audit Charter covers is similar to that of the Terms of Reference which it replaces. The two new requirements included in the Charter have been highlighted in bold for ease of reference and relate to the need:

- for the Chief Executive and Chair of the Audit Committee to contribute to the Head of Internal Audit's performance review
- to define who will discharge the roles of 'senior management' and 'board' (which means the committee acting as 'those charged with governance') in the context of these Standards. These will continue to be the Executive Management Team and the Audit Committee respectively.

The Standards require the Head of Internal Audit annual audit opinion to cover governance, risk management and control when commenting on the overall system of internal control, which has not been stated explicitly before.

The team will retain an Audit Strategy which will not change fundamentally but will be updated later in the year if required, once the assessment against the new Standards has been completed.

5. Counter Fraud Arrangements

The Council has entered into a Service Level Agreement with Southend-on-Sea Borough Council to provide Corporate Fraud Manager cover on a part time basis, for a period of up to six months starting on 19th August 2013.

6. Corporate Implications

(a) Financial Implications

The audit plan will be delivered within the approved budget.

(b) Legal Implications

The Accounts and Audit (England) Regulations 2011 (the Regulations) Section 6 states:

1. A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
2. Any officer or member of a relevant body must, if the body requires:
 - a. make available such documents and records as appear to that body to be necessary for the purposes of the audit; and

- b. supply the body with such information and explanation as that body considers necessary for that purpose.
- 3. A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.
- 4. The findings of the review referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control by the relevant committee or body this has been delegated to.

From 1 April 2013, internal audit services are required to comply with the Public Sector Internal Audit Standards (the Standard).

A formal audit plan is required to ensure that Internal Audit coverage is adequate and effective; otherwise, the Council will be in breach of its statutory responsibilities under the Regulations. The Standards require that progress against the audit plan is regularly reported to Members. This report contributes to discharging this duty.

(c) Human Resources and Equality Implications

Human Resources

People issues that are relevant to the delivery of the Audit Plan are raised in the body of this report.

Equality Implications

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

Equality Impact Assessments are completed on relevant policy / strategy documents whenever they are updated.

(d) IT and Asset Management Implications

None

7. Links to Council's Priorities and Objectives

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

8. Timescale for Implementation

The Audit Plan covers the 2013/14 financial year although work to deliver this will continue into April / May the following financial year.

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 aims and priorities.

The main risk the team is currently managing which could impact on its ability to complete the Audit Plan is the possibility that the external supplier won't deliver contracted in work within the required deadlines to the expected quality standards. Additional time has been built into the Audit Plan this year for managing this contract.

10. Conclusion

None

Recommendations:

The Audit Committee notes the progress made in delivering the Internal Audit Strategy for 2013/14.

Background Papers

- The Accounts and Audit (England) Regulations 2011
- Public Service Internal Audit Standards
- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2010

Appendices

- Appendix A: Internal Audit Performance Indicators 2013/14
- Appendix B: Internal Audit Plan 2013/14
- Appendix C: Internal Audit Charter

Report Author: Linda Everard, Head of Internal Audit

INTERNAL AUDIT PERFORMANCE INDICATORS 2013/14

COST

DESCRIPTION	TARGET	ACTUAL
<p>Ensure the cost of the internal audit service is competitive, but audit cover is still sufficient to comply with the requirements of the Public Sector Internal Audit Standards.</p> <p>Report on this every two years.</p>	Met	

PRODUCTIVITY OF COMBINED TEAM (SOUTHEND AND CASTLE POINT)

DESCRIPTION	TARGET	ACTUAL
<p>Maximise the staff days available after deducting leave and bank holidays to spend on audit related tasks. (i.e. managing the audit plan, delivering audits and reporting to Audit Committee)</p>	75% of total days available across the combined team	78%
<p>Minimise the days lost annually per team member to sickness absence.</p>	2013/14 target = less than 5 days per FTE	Annual target not yet due
	Target for September 2013 = 2.5 days per FTE	September = 1.1 days per FTE

OPERATING ARRANGEMENTS

DESCRIPTION	TARGET	ACTUAL
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<i>In Year Target: Delivery of the Audit Plan</i>		
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Plan to deliver audits across the year, taking into account staff resource availability and when certain audits have to be undertaken, so as to meet the annual target. (In this context, <i>delivery</i> means field work is complete up to the final report being issued)	20% as at 31 Aug	20%
	32% as at 30 Nov	
	40% as at 28 Feb	
	100% as at 31 May	

<i>Annual Audit Opinion</i>		
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Deliver sufficient work for the Head of Internal Audit to be able to give an opinion on the adequacy and effectiveness of the Council's government, risk management and control framework.	90% of the audit plan is delivered by 30 April 2014	Not yet due
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<i>Quality of Work</i>		
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Produce audit work that External Audit can rely on	Met	Not yet due
Report annually on compliance with:		
<ul style="list-style-type: none"> the Public Sector Internal Audit Standards and relevant CIPFA guidance 	Met	Not yet due
<ul style="list-style-type: none"> the CIPFA Statement on the Role of the Head of Internal Audit. 	Met	Not yet due

IMPACT

DESCRIPTION	TARGET	ACTUAL
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Client Satisfaction with Internal Audit

Deliver audits that clients consider to be timely, professional delivered, well communicated, that also addressed key risks and made useful and practical recommendations that added value to the service.	90% of the surveys are scored as good	Surveys are being completed
Deliver an internal audit function that senior management and Audit Committee members consider provides a good service and adds value to the Council.	90% of those surveyed score the service as good	Not yet due

Corporate Target to Improve its System of Internal Control

Opportunities to mitigate risks by strengthening controls are implemented, properly within the agreed timescales.		Refer to Summary Report
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APPENDIX B: INTERNAL AUDIT PLAN 2013/14

DEPT	AUDIT ACTIVITY	CURRENT STATUS AS AT 16 AUGUST 2013	
MANAGING THE BUSINESS			
DELIVERING GOOD GOVERNANCE			
SD T&R	<ul style="list-style-type: none">CIPFA / SOLACE Delivering Good Governance / Risk Management		
Delivering Good Governance		15 days	
KEY FINANCIAL SYSTEMS			
		Evaluation	Testing
H&C	<ul style="list-style-type: none">Council Tax	Oct to Dec 2013	Jan to Apr 2014
H&C	<ul style="list-style-type: none">National Non-Domestic Rates		
H&C	<ul style="list-style-type: none">Housing Benefit		
H&C	<ul style="list-style-type: none">Housing Rents		
H&C	<ul style="list-style-type: none">Accounts Receivable (Debtors)		
H&C	<ul style="list-style-type: none">Cash and Banking (Income)		
Res	<ul style="list-style-type: none">General Ledger (Main Accounting)		
Res	<ul style="list-style-type: none">Accounts Payable (Creditors)		
Res	<ul style="list-style-type: none">Payroll		
Res	<ul style="list-style-type: none">Treasury Management		
All	<ul style="list-style-type: none">Summary Financial Systems Report (if required)	Apr / May 2014	
All	<ul style="list-style-type: none">Automated workflows in financial systems (IT Review)	This work will be completed as part of the systems work programme in Q3 and Q4.	
Key Financial Systems		185 days	
All	<ul style="list-style-type: none">Follow Up of Recommendations Made	Q1 and Q2 completed.	
Implementing Recommendations		15 days	
TOTAL: MANAGING THE BUSINESS		215 days	

APPENDIX B: INTERNAL AUDIT PLAN 2013/14

DEPT	AUDIT ACTIVITY	CURRENT STATUS AS AT 16 AUGUST 2013
DELIVERING SERVICES		
MANAGING SERVICE RISKS		
H & C	RISK BASED JOBS	
	Housing	
	<ul style="list-style-type: none"> Contract Management, including the South Essex Homes contract (2012/13) 	Substantially complete. Draft report being produced.
	<ul style="list-style-type: none"> Upgrade and Use of the Housing Management System (IT Review) 	Work planned for Oct 2013.
	<ul style="list-style-type: none"> Housing Operational Systems 	Work planned for Sept 2013.
	Revenues and Benefits	
	<ul style="list-style-type: none"> New NNDR Arrangements 	This will be covered as part of the financial systems work.
Env	RISK BASED JOBS	
	Leisure	
	<ul style="list-style-type: none"> Waterside Refurbishment: Contract Management 	Two reviews completed. Given that no issues had arisen from this work, the planned final review was not undertaken.
	<ul style="list-style-type: none"> Waterside, systems and processes 	Work planned for Sept 2013.
	Environmental Health	
	<ul style="list-style-type: none"> Environmental Health Services, systems and processes 	Substantially complete.
R & N	RISK BASED JOBS	
	<ul style="list-style-type: none"> Licensing, systems and processes 	Substantially complete.
Res	RISK BASED JOBS	
	<ul style="list-style-type: none"> Implementing the Council Tax Discount Scheme – managing the changes to Civica (2012/13) 	Substantially complete. Draft report being produced.
	<ul style="list-style-type: none"> No high risk areas identified for 2013/14 	
TOTAL: MANAGING SERVICE RISKS		106 days

APPENDIX B: INTERNAL AUDIT PLAN 2013/14

DEPT	AUDIT ACTIVITY	CURRENT STATUS AS AT 16 AUGUST 2013
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MANAGING THE AUDIT PLAN

	Audit Planning, Resourcing and Managing the IT audit work	
	Reporting to Management Team and Audit Committee	
	Managing the Contract	

TOTAL: MANAGING THE AUDIT PLAN

17 days

TOTAL COUNCIL AUDIT DAYS

338 days

OTHER AUDITS THAT WILL BE ADDED TO THE PLAN IF AND WHEN RESOURCES BECOME AVAILABLE

DEPT	AUDIT ACTIVITY	CURRENT STATUS
All	<ul style="list-style-type: none"> Quality of performance appraisals 	
R&N	<ul style="list-style-type: none"> Billing and Income Collection in Development Control and Building Control 	
R&N	<ul style="list-style-type: none"> Planning: systems and processes 	
R&N	<ul style="list-style-type: none"> Section 106 Agreements, systems and processes 	

APPENDIX B: INTERNAL AUDIT PLAN 2013/14

RESOURCE ALLOCATION		
	INDICATIVE	
	DAYS	%
Delivering Good Governance	15	5%
Key Financial Systems	185	50%
Implementing Recommendations	15	8%
Managing Service Risks	106	33%
Ad Hoc Work	0	0%
Managing the Audit Plan	17	4%
TOTAL	338	100%

KEY TO LEAD DEPARTMENTS	
SD T&R	Strategic Director, Transformation & Resources
H&C	Housing and Communities
Env	Environment
R&N	Regeneration and Neighbourhoods
Res	Resources
L&G	Legal and Governance



INTERNAL AUDIT CHARTER

Produced August 2013

To Executive Management Team: August 2013

To Audit Committee: September 2013

INTERNAL AUDIT CHARTER

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 (PSIAS).

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 governance, risk management and control arrangements, 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 governance, risk management and control 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
- ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

¹ Institute of Internal Auditors

INTERNAL AUDIT CHARTER

STATUTORY ROLE

Internal Audit is a statutory service in the context of the Accounts and Audit (England) Regulations 2011, which state that:

“A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices, and any officer or member of that body shall, if the body requires:

- *make available such documents of the body which relate to its accounting and other records as appear to be necessary for the purpose of the audit*
- *supply the body with such information and explanation as the body considers necessary for that purpose.”*

The statutory role is recognised and endorsed within the Council’s Financial Regulations, which provide the authority for auditors to:

- enter, at any reasonable time, any premises or land owned, leased or controlled by the Council
- examine all records, documents, correspondence or information held by employees, members, contractors or other third parties, pertinent to their audit work
- obtain such information and explanations from any employee, member, contractor or third party as necessary concerning their audit work to enable them to fulfil their duties
- require any employee, member, contractor or third party to produce for examination, Council assets (including cash) under their control.

INDEPENDENCE AND ACCOUNTABILITY

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 for ensuring that any internal audit work is subject to appropriate independence and that any conflicts of interest are avoided.

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 CHARTER

Internal Audit may also provide consultancy services, generally advisory in nature at the request of the organisation, (for example when designing and implementing new systems or processes). In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit and, where this work is not already included within the approved audit plan and may affect the level of assurance work undertaken, it will be reported to Audit Committee.

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.

arrangements will be put in place arrangements will be put in place include: the organisation's Committee. d controls. However

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.

Internal audit activity will include an evaluation of the effectiveness of the organisation's governance and risk management arrangements as well as risk exposures relating to:

- achievement of the organisation's strategic objectives
- reliability and integrity of financial and operational information
- efficiency and effectiveness of operations and activities
- safeguarding of assets
- compliance with laws, regulations, policies, procedures and contracts.

REPORTING LINES AND RELATIONSHIPS

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

Therefore the Strategic Director, Transformation & 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 are 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.

INTERNAL AUDIT CHARTER

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 governance, risk management and control arrangements.

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 'Public Sector Internal Audit Standards' (PSIAS) as defined by Institute of Internal Auditors (IIA) in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA). These Standards have been adopted by the Council's Internal Audit service. It is a requirement of these Standards that the Internal Audit Charter clarify the terms 'board' and 'senior management' and, in the context of Castle Point Borough Council, these are deemed to be the Council's 'Audit Committee' and 'Executive Management Team' respectively.

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 PSIAS, ongoing performance monitoring 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 (England) Regulations 2011 requires 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, as required by the guidance.

All audit staff operate in accordance with the Seven Principles of Public Life (Nolan Principles), ethical requirements of these Standards and relevant professional bodies, Council policies and procedures and relevant legislation.

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 ongoing 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.

INTERNAL AUDIT CHARTER

In addition to inhouse 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 Strategic Director, Transformation & 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. The Fraud Team will investigate allegations of fraud and corruption in line with the Council's Anti Fraud and Corruption Strategy.

The Head of Internal Audit must also be informed of all suspected or detected fraud, corruption 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.