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Chief Executive

AGENDA

Committee:	AUDIT
Date and Time:	Tuesday 28th June 2016 at 7.30 p.m.
Venue:	Committee Room 1
Membership:	Councillors Ladzrie (Chairman), Blackwell, May, Sheldon and Mrs Wass. Substitutes: Councillors Acott, Greig, MacLean and Stanley
Officers attending:	Chris Mills, Head of Resources Craig Watts, Head of Performance and Service Support Linda Everard, Head of Internal Audit
Apologies from	Martina Lee, Manager, EY Kevin Suter, Executive Director, EY
Enquiries:	John Riley, Ext. 2417

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

- 1. Apologies**
- 2. Members' Interests**
- 3. Minutes**
A copy of the Minutes of the meeting held on 21.3.2016 is attached.
- 4. Internal Audit Quarterly Performance Report**
Report of the Head of Internal Audit is attached.
- 5. Treasury Management Outturn Report 2015/16**
Report of the Financial Services Manager is attached.
- 6. Head of Internal Audit Annual Report 2015/16**
Report of the Head of Internal Audit is attached.
- 7. Annual Governance Statement 2015/16**
Report of the Head of Performance and Service Support is attached.
- 8. EY: Audit Committee Progress Report**
Report of the External Auditor is attached.

Current Information Items (standing item)

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

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AUDIT COMMITTEE

21st MARCH 2016

PRESENT: Councillors Ladzrie (Chairman) and Blackwell.

Head of Performance and Service Support, Craig Watts, Head of Internal Audit, Linda Everard, Financial Services Manager, Ian Stapleton and External Auditors Kevin Suter (EY) and Martina Lee (EY) were also present.

Councillor Hart also attended.

Apologies for absence were received from Councillors Tucker, Walter and Mrs Wass.

27. MEMBERS' INTERESTS

There were no disclosures of interest.

28. MINUTES

With regard to Minute 19, it was noted that the certification report related to the year 2014/15, not 2013/14 as stated.

In Minute 25, second paragraph, second sentence, it was noted that this was too definitive a statement and that the assurance was around a view to achieving arrangements that delivered value for money whilst maintaining quality of service.

With the afore-mentioned amendments, the Minutes of the meeting held on 6th January 2016 were taken as read and signed as correct.

29. MONITORING REPORT – CORPORATE GOVERNANCE ARRANGEMENTS

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

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

Discussion took place on efficiency savings and a Member enquired whether futures changes within the Council would produce the anticipated savings. The Head of Performance and Service Support responded by outlining the efficiencies detailed in the Corporate Plan, which had been approved by the Cabinet and the Council.

In response to a question from the Chairman, the Head of Performance and Service Support explained that work was in progress to produce a strategy for both larger and smaller partnerships. The strategy would map out how the partnerships operated and achieved the 'golden thread'.

Discussion also took place following a question from a Member about the employee code of conduct and how this was managed and monitored.

With regard to complaints, a Member stated that more detail was required following the recent audit of complaints. The Head of Performance and Service Support explained that the final report and recommendations arising from the audit had not been finalised but that further information would be available at the June meeting of the Committee.

Resolved – That the Quarterly Monitoring Report is noted.

30. INTERNAL AUDIT QUARTERLY PERFORMANCE REPORT

A progress report on the delivery of Internal Audit's Strategy for 2015/16 was presented to the Committee.

A Member commented on the risks that the lack of staff posed to the progress against the Plan, although it was noted that the Audit Plan would be delivered within the approved budget.

Following consideration of the report it was:-

Resolved – That the progress made in delivering the Internal Audit Strategy for 2015/16 is noted.

31. EY AUDIT PLAN 2015/16

Mr Suter, EY, presented the External Auditor's Audit Plan for 2015/16 to the Audit Committee.

The Committee noted that EY's audit plan was produced in accordance with the National Audit Office's Code of Audit Practice 2015 and set out how EY intended to carry out their responsibilities in the light of their assessment of risk.

In response to a question from a Member, Mr Suter explained that external auditors needed to establish good working relationships with the Council, whilst maintaining their independence should intervention or other actions be required.

The Audit Committee also noted the proposed audit fees for the year.

Resolved – That EY's Audit Plan for 2015/16 is accepted.

32. INTERNAL AUDIT CHARTER, STRATEGY AND INTERIM AUDIT PLAN 2016/17

An Internal Audit Charter, with supporting strategy, Audit Risk Assessment and proposed Audit Plan for 2016/17 was presented to the Audit Committee by the Head of Internal Audit.

The Internal Audit Charter was attached at Appendix A and the supporting Strategy at Appendix B. The Strategy included a number of sub-appendices which presented the Internal Audit Risk Assessment Summary; the Internal Audit Plan for 2016/17; audits planned linked to corporate risks; internal audit performance indicators for 2016/17 and a How We will work with You Statement.

A Member commented that a recurring theme in the reports was a lack of staff resources and a difficulty in recruiting to these posts.

Resolved – That the Charter, Strategy and proposed Audit Plan for 2016/17 are approved.

Chairman

AUDIT COMMITTEE

28th June 2016

Subject: Internal Audit Service, Quarterly Performance Report

1. Purpose of Report

To present to the Audit Committee, summary results of 2015/16 audit reviews completed.

2. Background

To comply with the UK Public Sector Internal Audit Standards, the Head of Internal Audit's Annual Report 2015/16 includes details of the team's final performance in delivering:

- the Audit Plan
- its targets.

3. Audit Opinions and Themes

Appendix A summarises the results of and where appropriate, the audit opinions given for each audit completed. No minimal assurance reports have been issued during this period.

4. Corporate Implications

Financial Implications

The Audit Plan was delivered within the approved budget.

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

Legal Implications

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

Human Resources and Equality Implications

Human Resources

People issues that were relevant to an audit were considered as part of the review.

Regular updates were provided to the Audit Committee on how the service was resourced (as required by the Standards).

Equality Implications

The relevance of equality and diversity was considered during the initial planning stage of each audit before the Terms of Reference were agreed.

IT and Asset Management Implications

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

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

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

6. Timescale for Implementation

The Audit Plan relates to the 2015/16 financial year.

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

7. Risk Factors

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

The main risks the team has faced during the year are the:

- loss of in-house staff and the ability of the service to replace this resource at all or in a timely manner
- lack of resources to manage the external supplier proactively to ensure the quality of work and timeliness of its delivery is maintained.

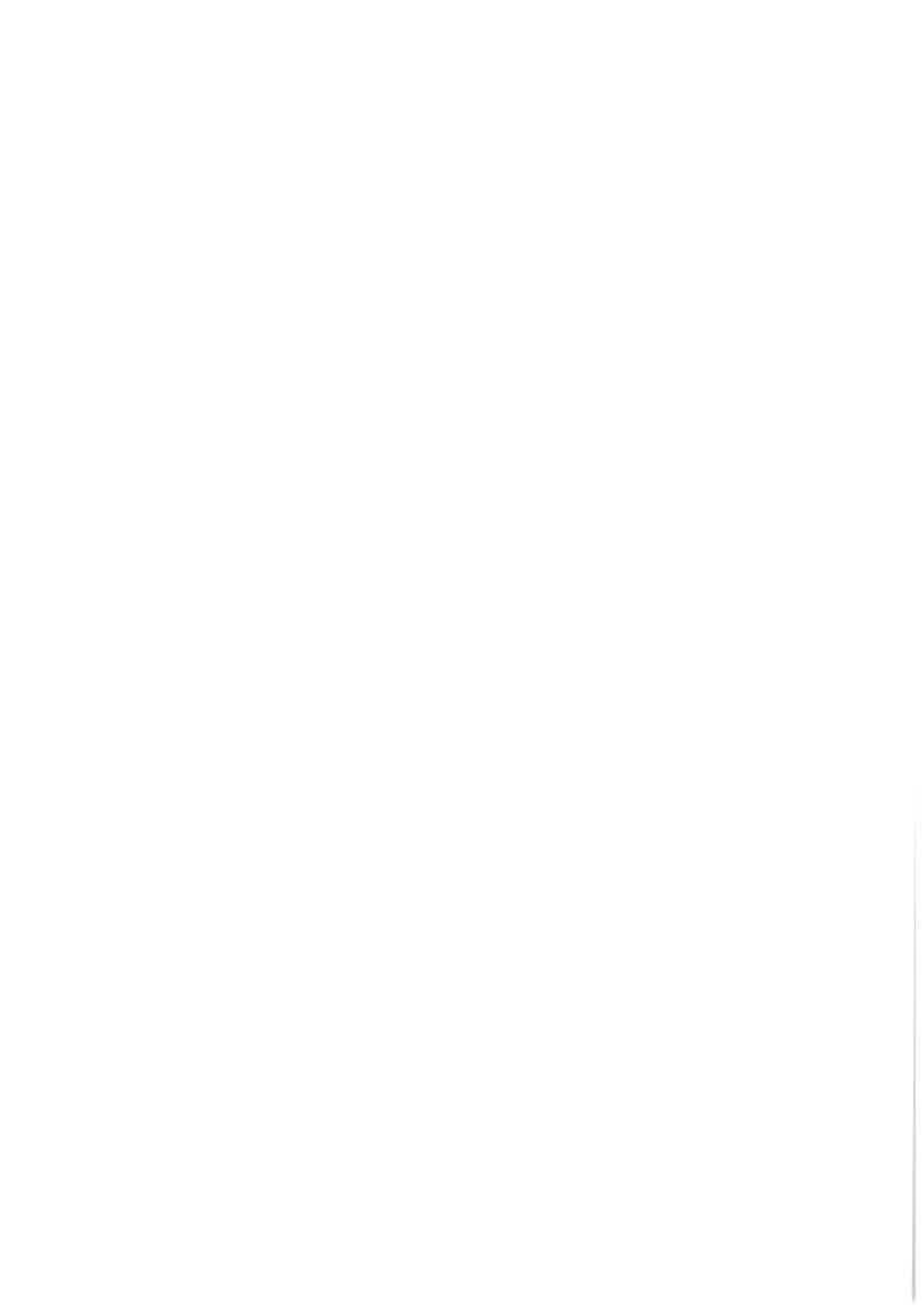
The realisation of both of these risks has impacted on the services ability to deliver its performance targets this year (refer Head of Internal Audit Annual Report 2015/16).

Recommendations:

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

Background Papers

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



Appendices

Appendix A Audit Opinions and Themes

- 1 • High Assurance**
- 2 • Other Audits**

Report Author: Linda Everard, Head of Internal Audit

Appendix A1: Audit Opinion and Themes

Assurance



Key Financial Systems

Objective

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

Scope and Control Opinions

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

General Ledger

Key controls audited	Strength of control
<ul style="list-style-type: none"> • Reconciliations between all key financial systems and the General Ledger are complete, accurate and timely. <p><i>Note: This audit opinion is influenced by the reconciliations to the General Ledger that were tested within all of the other key financial systems audited this year.</i></p>	High
<ul style="list-style-type: none"> • Reconciliations between the General Ledger and the bank account/s are complete, accurate and timely. 	High
<ul style="list-style-type: none"> • Journals are accurate, authorised and supported by appropriate evidence to confirm their validity. 	High
<ul style="list-style-type: none"> • Virements are accurate, authorised and supported by appropriate evidence to confirm their validity. 	High
<ul style="list-style-type: none"> • Previous audit recommendations have been implemented properly, in a timely manner. 	High

Number of actions agreed: 0

Appendix A1: Audit Opinion and Themes

Assurance



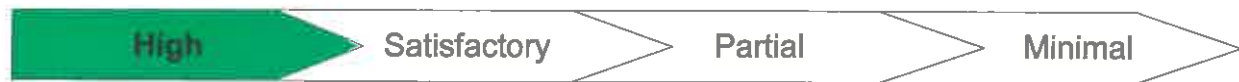
Income Receipting and Banking

Key controls audited	Strength of control
<ul style="list-style-type: none"> Information from originating payment systems is accurate, complete and transferred to the cash receipting system in a timely manner. 	High
<ul style="list-style-type: none"> Payments by CHAPS are necessary, authorised and supported by appropriate documentation to confirm their validity. 	High
<ul style="list-style-type: none"> Direct Debits are: <ul style="list-style-type: none"> authorised properly and supported by appropriate evidence to confirm their necessity and validity when they are set up regularly reviewed to confirm their ongoing necessity. 	High
<ul style="list-style-type: none"> Reconciliations between the Income Receipting and other key financial systems are complete, accurate and timely. <i>Note: This audit opinion is influenced by the reconciliations to the Income Receipting system that were tested within the other key financial systems audited this year.</i> 	High
<ul style="list-style-type: none"> Staff declare relevant interests and appropriate action is taken to avoid conflicts of interest when allocating work. 	High
<ul style="list-style-type: none"> Staff access to, and permissions within, the online banking facility are restricted, according to assigned roles and responsibilities. 	High
<ul style="list-style-type: none"> Previous audit recommendations have been implemented properly, in a timely manner. 	High

Number of actions agreed: 0

Appendix A1: Audit Opinion and Themes

Assurance



Payroll

Key controls audited	Strength of control
<ul style="list-style-type: none"> Reconciliations between Payroll and HR systems are complete, accurate and timely. 	High
<ul style="list-style-type: none"> Changes to be made to payroll payments (e.g. salary, tax codes, national insurance) are accurately configured at the start of the financial year, and are done so in a timely manner. 	High
<ul style="list-style-type: none"> Amendments to the Payroll system (including starters, leavers and amendments to staff records) are accurate, independently authorised and supported by appropriate evidence to confirm their validity. 	High
<ul style="list-style-type: none"> BACS payment runs are complete, accurate, and appropriately authorised. 	High
<ul style="list-style-type: none"> Overtime, expenses and mileage payments made to staff are accurate, properly authorised and supported by appropriate evidence to confirm their validity. 	Satisfactory
<ul style="list-style-type: none"> Payments made to Her Majesty's Revenues and Customs (with respect to PAYE income tax and national insurance) are accurate, complete and supported by appropriate evidence to confirm their validity. 	High
<ul style="list-style-type: none"> Reconciliations between the Payroll and General Ledger systems are complete, accurate and timely. 	High
<ul style="list-style-type: none"> Staff declare relevant interests and appropriate action is taken to avoid conflicts of interest when allocating work (including those working for external providers). 	High
<ul style="list-style-type: none"> Staff access to, and permissions within, the Payroll system are restricted, according to assigned roles and responsibilities (including those working for external providers). 	High

Number of actions agreed: 2

Appendix A2: Other Audits

Complaints, Comments and Compliments

Objective

To assess whether complaints, comments and compliments are effectively managed in line with a clear policy framework.

Themes

The Council has a clear, internal procedure that guides staff on how to handle complaints about services delivered by its employees. However, the procedure is less clear about how staff and contractors should handle complaints made to and / or about third party contractors. Lack of clarity in this area has led to variable practises across the Council. In July 2015, the Local Government Ombudsman issued some guidance in this area which is being taken into account in amending the procedures.

The Customer Care Forum is being updated to make it clear to the public; how to make a complaint and escalate it should they remain unsatisfied.

To help improve quality, efficiency and effectiveness when responding to complaints:

- staff training will be provided
- standard letter templates will be produced with instructions on how to use them.

The new complaints database was implemented in May 2015 although further work is required by Heads of Service to ensure:

- their staff are recording all relevant complaints
- that sufficient information is provided about each complaint and how it is being managed.

This will both enhance the quality of the management reports but also enable trend analysis reports to be produced periodically to identify areas of repeated complaints or services that may require improvement.

Informal complaints will remain outside of this process, be managed at departmental level and be expected to be subject to various levels of management challenge.

The benefits of alternative database solutions are being considered to improve security over the information and reduce the risk of data corruption.

The annual Manager Assurance Statements signed off by service managers and Heads of Service have also been amended to reflect the new requirements.

Number of actions agreed: 7

AUDIT COMMITTEE

20 June 2016

Subject: Annual Report on the Treasury Management Service and Actual Prudential Indicators 2015/16

1 Purpose of Report

The annual treasury report is a requirement of the Council's reporting procedures. It covers both the treasury activity and the actual Prudential Indicators for 2015/16.

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 Recommendations:

1. That following scrutiny, the Treasury Management Activity Report for 2015/16 is approved.
2. To approve the actual 2015/16 prudential indicators (shown at Annexe D).

Resolution required.

4 Background

- 4.1 The 2015/16 Treasury Management Strategy summarises the Council's obligations defined in the Code of Practice for Treasury Management in the Public Services, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 4.2 During 2015/16 the Council complied with its legislative and regulatory requirements.



5 Treasury Report for 2015/16 and scrutiny of treasury activity

- 5.1 As required by the Code, the activity report for 2015/16 is submitted at Annexe A for scrutiny by Audit Committee, prior to submission to Cabinet on 20 July 2016.
- 5.2 It is important to ensure that the Council's treasury management activities are subject to a robust process of scrutiny. This report provides Members with information on treasury management activity and variances in order to fulfil this process.

6 Corporate Implications

a Legal implications

This report is presented on behalf of Chris Mills in her role as "section 151 Officer" – the Officer appointed by the Council to have responsibility for the Council's financial administration. Submission of such a report is a requirement of CIPFA's Standard of Professional Practice on Treasury Management.

Under the revised Code of Practice, Cabinet was nominated at Special Council 16th February 2010 to ensure effective scrutiny of the treasury management strategy and policies.

b Financial implications

There are no new implications.

c Human resources and equality implications

There are no new implications.

d Timescale for implementation and risk factors

No new targets applicable.

Report Author: Robert Greenfield - Accountant

Background Papers:

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

CPBC: *Treasury Management Strategy Statement for 2015/16*.

CPBC: *Working paper: external loan calculation 2015/16*.

Treasury Management Activity Report for 2015/16

1 Introduction

- 1.1 This report summarises the Council's treasury management activity for 2015/16 and compares actual interest transactions with the revised estimates set for 2015/16.
- 1.2 The Council must comply with the Code of Practice on Treasury Management in the Public Services, issued by CIPFA and updated in 2011. The code requires the Council to annually set a Treasury Management Strategy. The strategy for the 2015/16 financial year was approved by Council on 18 February 2015.
- 1.3 This report confirms that all Treasury Management activity during the year was undertaken in accordance with this strategy and in consultation, where appropriate, with our external advisers, Capita. The Council had no liquidity issues during the year.

2 The Economy

- 2.1 **Short-term interest rates.** The Bank of England base rate has remained at just 0.50% since March 2009 and the Council therefore continues to earn very low rates on its investments, while facing the challenge of increased counterparty risk, resulting in a significantly reduced number of counterparties that the Council can use.

3 Borrowing

- 3.1 A summary of external borrowing at 31st March 2016 is in Annexe B. The principal amounts are shown but in the statement of accounts borrowing includes principal and interest outstanding.
- 3.2 The Council operated within treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement throughout the year. The outturn for the Prudential Indicators is shown in Annexe D.
- 3.3 There was no change in borrowings during 2015/16.
- 3.4 Annexe B shows that interest paid on borrowings was exactly as budgeted.

4 Investments

- 4.1 The Council's investment policy is governed by CLG Guidance, which was implemented in the annual Investment Strategy approved by Council on 18 February 2015. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity issues.
- 4.2 Annexe C summarises the Council's activities for the year relating to the temporary investment of surplus funds. The average daily balance was £22.4m in 2015/16 (£17.1m in 2014/15). The principal amounts are shown but in the statement of accounts investments include principal and interest outstanding.

- 4.3 Annexe C also shows that the amount of interest received on these investments was over budget by £18,064 (20%). The variance was due to prudent budgeting and average interest rates and balances being moderately higher than estimated. The average interest achieved was 0.48% compared to the 7-day LIBID average of 0.36%.

5 Benchmarking

- 5.1 Three benchmark indicators for 2015/16, explained in the Annual Treasury Management Strategy, are reported as follows:
- **Security – Weighted Credit Rating Score for the year of 6.15 exceeded the target of 4.**
 - **Liquidity – Weighted Average Life was at an extremely liquid level, averaging 31 days over the year.**
 - **Yield – Interest received on investments – income was over budget, as reported in paragraph 4.3 above.**

6 Regulatory Framework, Risk and Performance

- 6.1 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.
- 6.2 The Council has complied with all of the relevant statutory and regulatory requirements which require the Council to identify and, where possible, quantify the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.

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

Loan transactions activity for the year

	Amount o/s 01/04/2015 £	Loans Repaid £	Amount o/s 31/03/2016 £
Public Works Loan Board			
General Fund	5,250,000	0	5,250,000
HRA	36,451,000	0	36,451,000
Totals for the Council	41,701,000	0	41,701,000

Interest payable Comparison of estimate with actual

Budget Profile to 31/03/2016 £	Actual Interest to 31/03/2016 £	Variance 31/03/2016 £
207,300	207,250	50
1,087,400	1,087,440	-40
1,294,700	1,294,690	10
		0.0%
		0.0%

Interest rates for the year

	Range of loans From	To	Average
General Fund	3.70%	4.10%	3.95%
HRA	2.31%	3.49%	2.98%
Totals for the Council	2.31%	4.10%	3.10%

Base rate history

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

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

Type of Borrower	Amount Invested 01/04/2015 £	Made In the Year £	Repaid in the Year £	Amount Invested 31/03/2016 £
Investments by Value:				
Debt Management Office	0	0	0	0
Treasury bills	0	6,992,831	3,991,522	3,001,309
Local Authorities	0	2,000,000	0	2,000,000
Money Market Funds	15,350,000	77,823,362	79,053,362	14,120,000
Certificates of deposit	0	2,000,000	2,000,000	0
Notice accounts	0	1,500,000	0	1,500,000
Bank deposits	1,000,000	1,000,000	2,000,000	0
Investments	16,350,000	91,316,193	87,044,884	20,621,309
Lloyds current account	516,841	-	19,966	496,875
Cash equivalents	516,841	0	19,966	496,875
Total	16,866,841	91,316,193	87,064,850	21,118,184
	Number	Number	Number	Number
Number of Investment Transactions:				
Debt Management Office	0	0	0	0
Treasury bills	0	8	4	4
Local Authorities	0	1	0	1
Money Market Funds	29	136	129	36
Certificates of deposit	0	2	2	0
Notice accounts	0	2	0	2
Bank deposits	1	1	2	0
Investments	30	150	137	43
Lloyds current account	1	-	-	1
Cash equivalents	1	0	0	1
Total	31	150	137	44

Interest Received on Temporary Investments for the year to 31st March 2016

Actual Interest Received	108,064	£	22,436,167
Revised estimate	90,000		0.48%
Variance	18,064		Benchmark: Average 7-Day LIBID Rate 0.36%
	20%		

Temporary Investments

Average Balance for the Year	22,436,167
Average Interest Rate for the Period	0.48%
Benchmark: Average 7-Day LIBID Rate	0.36%

Prudential Indicators

Indicator 1 - Key indicator of prudence - Gross Debt and the Capital Financing Requirement

"In order to ensure that over the medium term debt (i.e. gross external borrowing) will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

The requirement is met for the current year and is expected to be met for the forthcoming two financial years.

Indicator 2 - Capital Expenditure

	2015/16 Revised Estimate £000s	2015/16 Actual £000s
General Fund	1,124	1,161
Housing Revenue Account	2,244	1,981
Total	3,368	3,142

Indicator 3 - Indicator of Ratio of Financing Costs to Net Revenue Stream

	2015/16 Revised Estimate %	2015/16 Actual %
General Fund	6	6
Housing Revenue Account	30	36

This indicator shows financing costs such as interest charges and the minimum revenue provision as a percentage of the net General Fund and HRA revenue budgets.

Indicator 3B - Local Indicator of Ratio of Financing Costs to Net Revenue Stream

	2015/16 Revised Estimate %	2015/16 Actual %
General Fund	6	8
Housing Revenue Account	40	37

This is a variation on the above indicator, which includes in the financing costs any revenue contributions made to fund capital expenditure.



Indicator 4 - Indicator of Capital Financing Requirement (CFR)		
	2015/16 Revised Estimate £000s	2015/16 Actual £000s
General Fund	6,812	6,716
Housing Revenue Account	36,451	36,451
The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.		

Indicator 5 - Incremental Impact of Capital Investment		
	2015/16 Revised Estimate £	2015/16 Actual £
Band D Council Tax	-0.64	4.94
Average Weekly Housing Rents	-7.80	-11.02
This indicator shows how the changes in capital financing charges to revenue from year to year affect the Council Tax and Housing Rent for the year in question.		

Indicator 6 - Authorised Limit for External Debt		
	2015/16 Revised Estimate £000s	2015/16 Final £000s
Borrowing	46,855	46,743
Other Long -Term Liabilities	305	305
	47,160	47,048
This indicator shows the overall limit for total external debt, including allowances for changes in the CFR, contingencies, risks, unusual cash flow movements and so on.		

Indicator 7 - Operational Boundary for External Debt		
	2015/16 Revised Estimate £000s	2015/16 Final £000s
Borrowing	43,815	44,205
Other Long -Term Liabilities	305	305
	44,120	44,510
This indicator shows a similar calculation to the previous indicator, without all of the above allowances for contingencies, etc.		

Indicator 8 - Upper Limits of Fixed and Variable Exposure		
	2015/16 Revised Estimate £m	2015/16 Actual £m
Upper Limit - Fixed Rates	47	42
Upper Limit - Variable Rates	(12)	(18)

This indicator identifies upper limits for net investment / borrowing at variable and fixed rates. Currently all borrowings are at fixed rates and our investments are generally at variable rates. Because of this the fixed rate limit is a positive amount and the variable rate is a negative amount. Both indicators were within the limits at year end.

Indicator 9 - Maturity Structure of Fixed Rate Borrowing			
	Upper Limit %	Lower Limit %	Actual %
cumulative within 1 year	50	0	1
cumulative within 2 years	50	0	1
cumulative within 5 years	60	0	1
cumulative within 10 years	80	0	32
after 10 years	100	0	68

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

Indicator 10 - Housing Revenue Account limit on indebtedness

The debt limit imposed by the Department for Communities and Local Government as at the date of implementation of self financing is £37,470,000. This limit of indebtedness exceeds the value of the HRA self financing settlement and therefore allows some flexibility to accommodate additional future investment.

For further information on prudential indicators including revised estimates for 2015/16 please refer to sections 12 and 13 of the Policy Framework and Budget Setting report for 2016/17, presented to the Special Meeting of the Council on 24 February 2016.

AUDIT COMMITTEE

28 June 2016

Subject: Head of Internal Audit Annual Report 2015/16

1. Purpose of Report

To provide, for the 2015/16 financial year:

- the rationale for and an audit opinion on the adequacy and effectiveness of Castle Point Borough Council's (the Council's) risk management, control and governance processes
- a statement on conformance with the UK Public Sector Internal Audit Standards (the Standards) and the results of the Quality Assurance and Improvement Programme.

2. Background

The Head of Internal Audit's Annual Report and Opinion provides the Council with an independent source of evidence regarding both the design of its risk management, control and governance framework and how well it has operated throughout the year.

The opinion is predominantly based upon the audit work performed during the year as set out in the risk based Audit Plan agreed with the Executive Management Team and the Audit Committee.

As outlined in the Internal Audit Charter, audit coverage is determined by prioritising the significance of the Council's activities to its ability to deliver its Aims and Priorities. This is done:

- using a combination of Internal Audit and management risk assessments (including those set out in risk registers)
- in consultation with Heads of Service and the Strategic Director, Transformation and Resources to ensure the work is focused on key risks.

All individual audit reports are discussed with the relevant Service Managers and Heads of Service or Strategic Directors before being finalised.

The opinion and summary findings from audit reviews are reported to the Executive Management Team and the Audit Committee throughout the year.

Head of Internal Audit Opinion for the year ended 31 March 2016

Overall, the design and operation of the Council's risk management, control and governance framework is considered to be satisfactory.

Management continue to work proactively with Internal Audit to identify appropriate ways to strengthen arrangements where opportunities to do so have been identified.

The basis for forming this opinion is an assessment of:

- the design and operation of the underpinning governance and assurance framework
- the range of individual opinions arising from risk based and other audit assignments that have been reported during the year taking into account the relative significance of these areas
- whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales.

The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to her opinion.

3. Supporting Commentary

Appendix A summarises the audit opinions issued regarding the work completed this year.

The following paragraphs then:

- summarise findings from this audit work
- highlight the key areas requiring improvement
- expand on how assurance obtained from other relevant sources has been used to support the overall opinion.

Where necessary, actions have been agreed with services to improve the arrangements where the more serious control issues were identified during the audits.

Governance and Assurance Arrangements

The **Good Governance Group** continued to operate efficiently and effectively, in that it has:

- a Terms of Reference agreed by the Executive Management Team that requires it to ensure:
 - the Council maintains arrangements that are fit for purpose and comply with good practice requirements
 - that sufficient assurance is available throughout the year to support the production of the Annual Governance Statement.
- an appropriate membership of senior officers who are responsible for maintaining the main corporate business management processes (governance processes) that are then applied at service level.

It continued to deliver its work programme, which involved:

- robustly challenging Corporate Assurance Statements for 2015/16 before signing off the assessments and the action required to improve these business management arrangements
- critically evaluating a summary of service assessments of these arrangements as contained in the Manager Assurance Statements
- discussing the draft Annual Governance Statement prior to its submission to Executive Management Team for consideration.

The Group also maintained an action plan summarising work to be done, reviewed this at each meeting and provided regular highlight reports for Executive Management Team on its performance and any issues arising.

The Head of Performance and Service Support continued to produce quarterly reports on the operation of the Council's **key business management arrangements**. These were presented to and challenged by the Executive Management Team and the Audit Committee. No significant concerns were reported. Opportunities to strengthen or develop arrangements were highlighted in year as they arose.

These two processes remain key elements of the Council's assurance framework, and continue to provide evidence of the effective design and operation of its business management arrangements.

The Council continued to maintain a **Corporate Risk Register** that was regularly taken to the Executive Management Team, and twice a year to the Audit Committee. Heads of Service were required to identify key risks in their service plans and these were reviewed by the Head of Performance and Service Support.

The **Insurance Group** continued to meet at least twice a year to review the Council's arrangements and claims profile to see if action could be taken to reduce costs. During the year, the Group re-tendered its managed insurance service. This enabled it to demonstrate good value for money was being achieved for the level and quality of service being provided.

The Council had a clear, internal procedure that guides staff on how to handle **complaints, comments and compliments** about services delivered by its employees. It was being amended to clarify how to deal with complaints made to and / or about third party contractors in line with Local Government Ombudsman guidance. Public information on how to complain was also being updated. Staff training was being organised on how to deal with complaints effectively.

Further action was being taken by Heads of Service to ensure the complaints database is complete and accurate for their service area, prior to reports for the Executive Management Team being produced. The benefits of alternative database solutions were being considered to improve security over the information and reduce the risk of data corruption.

Contract Procedure Rules (CPRs) had been checked for compliance with the Public Contract Regulations 2015. However they were not being consistently applied for **medium-value contracts** that total between £10,001 and £50,000.

Action was being taken to strengthen the arrangements so that there is always evidence:

- of market testing and signed contracts which are disclosed on the contracts register
- that spend is aggregated wherever possible, so value for money is obtained.

Management reports were being developed to provide regular information about non compliant and poor procurement practices.

A decision was going to be made about whether to include an exemption process and de-minimus spend limit under which quotes would not be required, in CPRs.

Collectively the **quality of management information contained in** operational and performance reports received by senior management and Members provided satisfactory, regular and generally timely updates on the key aspects of service delivery.

Cost efficient and practical ways of enhancing this information were to be explored, so it also:

- provided greater trend analysis to enable more proactive management of service delivery
- made clearer links between departmental highlight report updates and corporate and service objectives
- reported on whether:
 - corporate and service objectives are achieved given cumulative performance against all performance indicators and other outcomes from key projects and initiatives
 - management actions agreed to improve performance were effectively implemented.

Service Delivery Risks

A key objective for Internal Audit is to give a view on whether the Council's risk management and control processes are robust enough to enable services to effectively contribute to the delivery its corporate aims and objectives.

The remainder of the report therefore, structures the audits undertaken of services areas under the corporate aims they help deliver so this connection can be made.

Public Health and Wellbeing

No work was undertaken in this area during 2015/16.

Environment

Resident surveys confirmed a high level of satisfaction with the **waste collection services** and the existing waste vehicles had a full service maintenance history. However the service review, commenced in 2013, needed to be finalised in order to sustain a good level of service in the future.

Collection routes had been signed off by the Health & Safety Executive as being compliant with its 'Safe Waste & Recycling Collection Services' standards in November 2015.

HR recruitment and training records needed improvement and evidence was required that temporary staff recruitment was being done in line with corporate HR standards.

Transforming our Community

Whilst officers could describe examples of where the **Regeneration Partnership** (the Partnership) had positively influenced others, it had not:

- formally assessed and reported on the extent to which the 2008 to 2013 Regeneration Framework had been delivered or its effectiveness

- agreed a refreshed strategic Framework document for the current period.

Action was therefore, being taken to:

- revise Terms of Reference to:
 - more clearly mirror officers' view of its primary purpose as being an influencer
 - make clear, partners are responsible for delivering their regeneration-related works or activities.
- frame the Partnerships objective's, measurable success factors and therefore practical actions around demonstrating how it influences others to undertake additional or otherwise better regeneration activity for the benefit of the borough
- collectively review whether those at its meetings have sufficient authority at their own organisation to take the required action to further regeneration in Castle Point.

This would help make clearer the current context in which regeneration is possible and most effective in Castle Point.

Efficient and Effective Customer Focused Services

When reviewing the **data quality** relating to a random sample of 20 **planning applications**, it was possible to conclude that the indicators being reported could be relied upon and complied with the National Planning Practice Guidance 2014 as:

- the "valid application" date used was correct, as was the data entered onto IDOX (the planning application IT system) regarding each application
- the system was correctly calculating the performance indicators being reported in the corporate score card
- generally, applications were being validated in a timely manner, however this aspect of the process should improve with the appointment of an additional staff member.

An unqualified audit opinion was given **Repair and Renew (Flood) Grant**. This provided reasonable assurance that:

- the invoices submitted by the Council for claims and authority costs, fairly represented "expenditure" under the Scheme
- they were made in accordance with the terms and conditions attached to the funding.

The **Captia IT service contract** was well managed and there were robust arrangements in place to ensure the service was being delivered in accordance with it.

These arrangements were being enhanced further by ensuring Capita maintain a comprehensive risk register in line with the Service Description in the contract.

The **IT service governance arrangements** largely comply with the good practice principles set out in ISO / IEC Standard 38500 as:

- there were clear roles and responsibilities as well as change management and service planning processes in place

- performance monitoring is done through a suite of performance information.

When it is renewed, the IT Strategy will be more clearly linked to corporate objectives it helps to deliver. The IT Service aligned its activities and service plan to corporate strategies and plans by attending boards for all upcoming IT projects. This also enabled technical input to be provided at the development stage.

The Council's IT asset register (managed by Capita) contained some errors and omissions. The software licence list was also incomplete. Action was to be taken to update both of these documents.

Overall, the processes for assessing **Disabled Facilities Grant** applications and delivering the required adaptations to specification and budget were well managed.

A standardised approach was being developed to ensure all relevant tasks are completed when processing these applications. This will help ensure evidence is always obtained that:

- completed works have been inspected and signed off before payment is made
- land charges have actually been made against these adapted properties.

Residential Leaseholders were consulted with appropriately, regarding planned repairs and improvements. A five-year estimate of charges was also issued to potential leaseholders. Debt recovery arrangements were satisfactory but being strengthened by introducing regular checks to ensure the action being taken was appropriate.

Work was underway to:

- develop a Residential Leaseholder Charging Policy
- determine how and when staff should use the additional statutory power to forfeit a lease and repossess a property if a leaseholder fails to pay the service charges
- properly secure data contained in the spreadsheet that contains residential leaseholder details
- determine whether to invest in a more secure database that would automate some of these functions
- independently evidence checks undertaken to confirm estimated recharges are correct before leaseholders are billed.

Various services play a role in processing **Right to Buy applications**. It was noted that accountability for this process had been unclear. There was also a lack of ownership and understanding of how to process applications properly, in line with statutory requirements. However the Head of Housing and Communities has accepted responsibility for the Right to Buy process, going forward.

To strengthen these arrangements, action was being taken to:

- update procedure notes and key documents to bring them in line with the good practice guidance issued by the Department for Communities and Local Government

- explore the options for holding Right to Buy application information in a more secure environment (e.g. within the main housing management system or an access database)
- inform secure tenants of their right to buy at the predetermined times in their tenancy
- amend charges placed on properties sold include the Council's right of first refusal on sales within 10 years of purchase
- further development the manner in which fraud and money laundering risks are mitigated.

The Council house **Allocations** Policy (the Policy) generally met the Department for Communities and Local Government's (DCLG) guidance on allocations. When updated, the Policy will:

- exclude those from the housing register who do not have a chance of being housed in a reasonable timeframe
- be clearer about the process for allocating properties directly.

Applications were processed promptly. No obviously incorrect or inappropriate assessments or action by staff were identified. The Choice Based Lettings IT system was configured to ensure it correctly assessed entitlement given the information input.

During the audit, management acted promptly to implement, systematic, demonstrable, secondary checks of proposed allocations. If they operate consistently, they will:

- ensure complete and accurate input and interpretation of the applicants' evidence
- independently confirm that the required processes to assess applications, have not been circumvented.

Key Financial Systems

The objective of this work is to provide the Section 151 Officer with assurance that:

- significant controls within these financial systems effectively prevent or detect material errors on a timely basis
- information produced by these financial systems can be relied upon when producing the Council's financial statements.

All of the systems reported upon were assessed as providing high or satisfactory assurance overall that this objective would be met (refer Appendix A). Opportunities were identified to strengthen aspects of these systems and action has been agreed to address this.

Implementing Action Plans

Action plans from audit reports have only been revisited during the year if the control weaknesses identified were more significant (e.g. where a partial or minimal assurance opinion was given). The result of this work is reported to Executive Management Team and the Audit Committee as part of the Quarterly Performance Report.

The process adopted by services to monitor the implementation of action plans was reviewed this year in the light of changes made to other, corporate performance management arrangements. It was agreed that:

- senior management will continue to sign them off as part of the normal performance management process and periodically provide evidence that this has been done
- Internal Audit will include this evidence in its quarterly performance report to the Audit Committee.

Internal Audit has worked closely with the Head of Performance and Service Support during the year to develop a new database for collating these action plans and recording action taken to address the issues raised. This work will be completed during 2016/17 and strengthen these arrangements accordingly.

4. Compliance with Professional Standards

Head of Internal Audit Opinion

The in-house service has substantially conformed to the relevant professional standards and the Council's operational requirements throughout the year.

I have obtained assurance from the external supplier regarding its conformance with relevant professional standards, but have not independently confirmed this with regards to audit work completed at the Council.

Background

In July 2015, Southend-on-Sea Borough Council decided to undertake a review of the Internal Audit Service so recruitment was stopped until this was completed. At this point, the combined team was carrying four vacancies out of nine permanent auditor posts that were being covered by:

- resources bought in through a framework contract with an external supplier, which was already being used to buy in specialist services that are funded in addition to this
- agency or casual staff and staff on short term contracts.

This contracted out resource was primarily being managed by the Senior Audit & Resource Manager who resigned in August 2015. Another auditor resigned in May 2016, leaving the combined service with only three permanent staff in post. Therefore, the service is now substantially contracted out.

The impact of the late allocation of work to the external supplier in 2015/16 and the resourcing issues outlined has been:

- a significant amount of the contracted out work has been undertaken in the last six months of the financial year
- contracted out work has not been supported proactively, to ensure, for example, local knowledge is accounted for and any issues with performance are identified promptly and dealt with

- the Head of Internal Audit role has been curtailed significantly in order to provide some (although not sufficient) resource to set up and sign off contracted out audits and deal with any issues arising from this work.

All these factors have adversely impacted on the service's ability to deliver its targets this year.

Audit Plan 2015/16

As at 10 June 2016:

- 64% of planned work has been delivered
- 36% is at draft report stage.

The 2015/16 Audit Plan is attached at **Appendix B**, and is a comparison of actual audit work completed against work planned).

Other Performance Indicators

Staff productivity of the combined team (including bought in resources) has remained on target at 78.7% compared to 75%. Sickness absence remained very low at 0.78 days per FTE compared to a target of under 5 days per FTE.

During the year, the service revised its approach to obtaining feedback from stakeholders at the conclusion of audits so it focused more on obtaining evidence of compliance with some of the less tangible elements of the UK Public Sector Internal Audit Standards (the Standards).

The key message from the surveys undertaken is the need for there to be a more seamless service regardless of whether work is undertaken by the in-house Internal Audit team or contracted in resources.

External Audit confirmed that it could rely on Internal Audit's work where it was relevant to its audit of the Council's financial statements.

Cost

The cost of the service remains competitive, as demonstrated by benchmarking and other relevant information obtained as part of the service review process that has gone on throughout the year.

Service Management Arrangements

An assessment was also completed of the team's compliance with the Council's governance arrangements requirements as set out in the Manager Assurance Statements. This highlighted some areas where they should be strengthened and actions are in hand to address this.

Quality and Improvement Programme

I can confirm that I have maintained an appropriate Quality and Improvement Programme (QAIP) during the year for the in-house team. As required by the Standards, this consisted of:

- ongoing supervision and review of individual audit assignments
- reporting on a set of performance targets to the Audit Committee each quarter (for all work done including that of the external supplier)



- undertaking a self assessment which evaluates conformance with the Standards.

I have received assurance from the external supplier that its arrangements also comply with the Standards.

Due to resource constraints, the contract with the external supplier has not been proactively managed during the year and no independent file reviews have been completed of either in-house or external work.

Appendix C shows the final position statement on the actions taken by the in-house team during the year to address areas that were not fully conformant with the Standards at the end of 2014/15. No new actions have been identified from the 2015/16 assessments outlined above.

Senior management has chosen not to implement the Standard relating to the appointment and removal of the Head of Internal Audit as the Council's normal HR practices would already mitigate this perceived potential risk.

The Internal Audit Service is required to have an external assessment of its compliance with the Standards at least once every five years. The combined service **must** now complete this assessment before 31 March 2018.

Other Disclosures

As required by the Standards, I can confirm that the Internal Audit service has:

- operated in a manner that maintains its organisational independence throughout the year
- been able to determine the scope of reviews, perform the work and report on its findings without interference neither has there been any inappropriate resource limitations imposed upon it.

Conclusion

Whilst the service has largely operated in the manner set out in the Standards, it has found it difficult to deliver its Audit Plan primarily due to the resourcing issues experienced during the year.

The service will continue to maintain an action plan that captures opportunities to strengthen its operating arrangements as and when they arise. The results of this work will be reported to the Audit Committee periodically.

5. Issues for the Annual Governance Statement

No issues have come to my attention this year, other than those already disclosed, that I believe need including in the Council's Annual Governance Statement.

6. Corporate Implications

(a) Financial Implications

The Audit Plan was delivered within approved budgets.

(b) Legal Implications

The Council is required, by the Accounts and Audit Regulations 2015 (the Regulations) Section 5, to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. Professional Standards require that the Head of Internal Audit to report on compliance with this annually to the Audit Committee. This report satisfies this requirement.

(c) Human Resources and Equality Implications

Human Resources

People issues that were relevant to delivering the Audit Plan were raised in the quarterly performance reports.

Equality Implications

The relevance of equality and diversity was considered during the initial planning stage of every audit before the Terms of Reference were agreed.

Any significant changes in the Charter and Strategy would also be subject to assessment.

(d) IT and Asset Management Implications

There are no Asset Management Implications as a result of this report. Any IT implications are set out in the relevant audit reports issued.

7. Links to Council's Aims and Priorities

Audit work contributes to the delivery of all Council Aims and Priorities.

8. Timescale for Implementation

This annual audit opinion relates to the 2015/16.

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 governance, risk management and control arrangements which may impact of the Council's ability to deliver its corporate objectives.

Recommendations

- **The Audit Committee notes the Head of Internal Audit's Annual Report for 2015/16.**

Background Papers

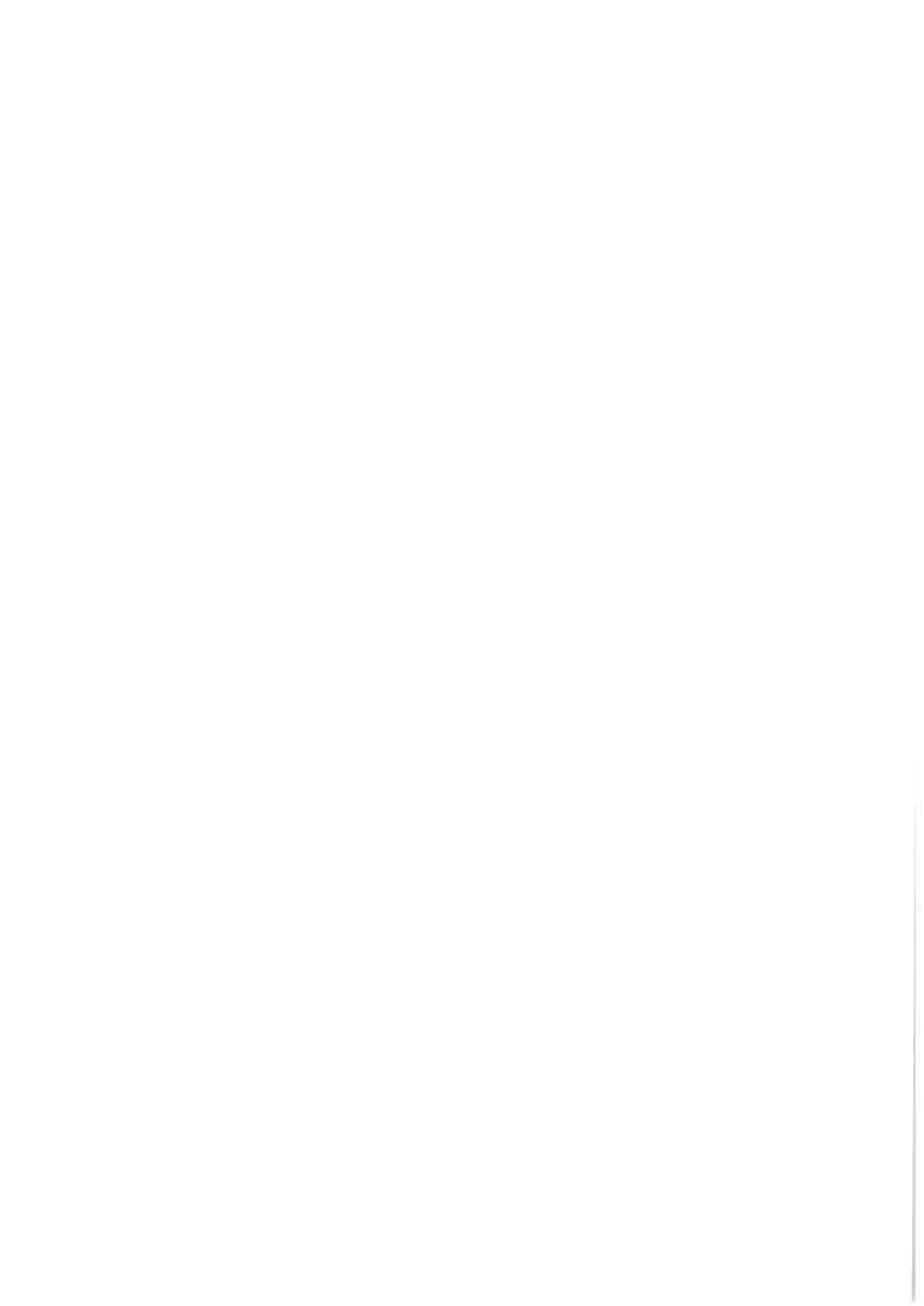
- The Accounts and Audit Regulations 2015
- UK Public Sector Internal Audit Standards

- CIPFA Local Governance Application Note for the UK Public Sector Internal Audit Standards
- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2010
- CIPFA: Audit Committees, Practical Guidance for Local Authorities and Police 2013

Appendices

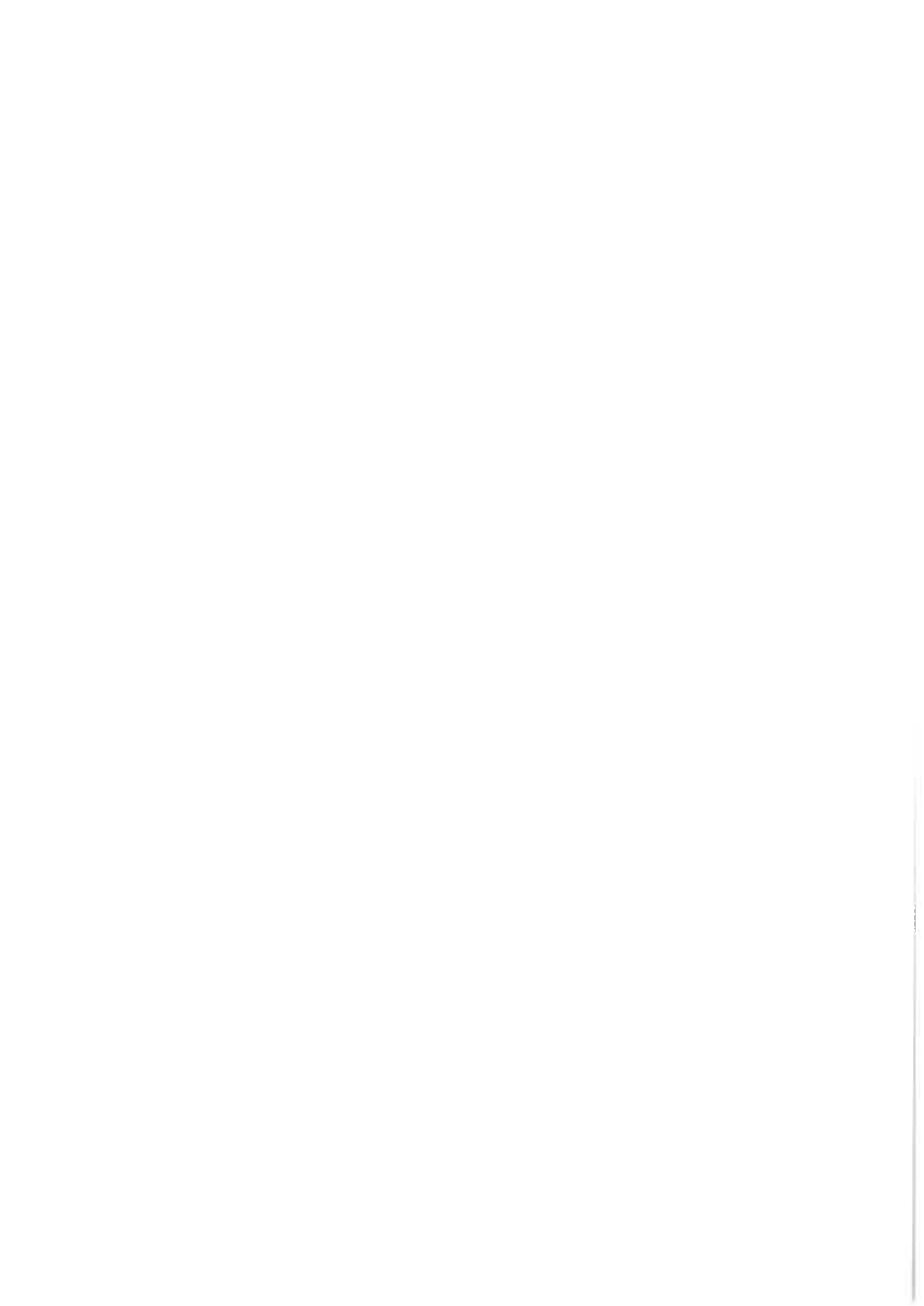
- Appendix A: Assurance Summary 2015/16
- Appendix B: Internal Audit Services, 2015/16 Audit Plan as at 10th June 2016
- Appendix C: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at 10th June 2016

Report Author: Linda Everard, Head of Internal Audit



Appendix A: Assurance Summary 2015/16

Audit Plan Areas	Level of Assurance			
	High	Satisfactory	Partial	Minimal
Managing the Business		<ul style="list-style-type: none"> Quality of Management Information (Jul 2015) 	<ul style="list-style-type: none"> Procurement (Dec 2015) 	
Managing Service Delivery Risks		<ul style="list-style-type: none"> IT Contract Management (Dec 2015) IT Governance (Dec 2015) Disabled Facilities Grants (Dec 2015) 	<ul style="list-style-type: none"> Waste Collection (Dec 2015) Regeneration (Nov 2015) Residential Leaseholder Charging (Sep 2015) Housing Allocations (Jul 2015) 	<ul style="list-style-type: none"> Right To Buy (Dec 2015)
Key Financial Systems	<ul style="list-style-type: none"> Payroll (May 2016) Treasury Management (Feb 2016) Income Receipting and Banking (Feb 2016) 	<ul style="list-style-type: none"> Housing Rents (Jul 2015) 		



CPBC Appendix B: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type *	Status as at 10 June 2016
Managing the Business			
Efficient and Effective Customer Focused Services: Ensure the Council is fit for purpose by meeting national and local requirements to agreed timescales and to optimum performance standards			
All	Complaints, Compliments and Comments To assess whether complaints are effectively managed in line with a clear policy framework.	Core	Report issued April 2016.
All	Procurement To assess compliance with the actions required by Contract Procedure Rules for expenditure between £5,000 and £50,000.	Core Fraud Risk	Report issued December 2015.
All	Quality of Management Information To assess the accuracy and usefulness of information on which management rely to make decisions.	Core	Report issued July 2015.
All	Working With Partners To assess whether for a number of partnerships there are robust governance arrangements.	Core	Draft report with client
Managing Service Delivery Risks			
Environment: Maintain a good quality refuse and recycling service which ensures over half of all domestic waste is recycled			
Env	Waste Collection To assess whether: <ul style="list-style-type: none"> • commercial and domestic waste collection services are effectively planned and managed • waste vehicles are properly maintained, drivers licensed and spare parts are kept to an optimum level. 	Core Fraud Risk	Report issued December 2015.
Transforming Our Community: Progress development of the Local Plan for the Borough			
R&N	Regeneration To assess whether the Council through the Regeneration partnership has evidence it has: <ul style="list-style-type: none"> • achieved its 2008-13 Regeneration Framework ambitions and key priorities 	Core	Report issued November 2015.

CPBC Appendix B: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type *	Status as at 10 June 2016
	<ul style="list-style-type: none"> effective arrangements and processes to deliver future regeneration ambitions. 		
<p>Efficient and Effective Customer Focused Services: Develop an organisational change programme to transform the Council by March 2017 by using new technology and working practices</p>			
R&N	<p>Data Quality Spot Check, Planning Applications To assess whether the planning application indicators being reported can be relied upon and comply with the National Planning Guidance 2014.</p>	New In year risk	Work completed November 2015.
R&N	<p>Development Control To assess whether the re-engineered business processes are fully embedded, planning applications are effectively and promptly assessed and all income due is received.</p>	Core Fraud Risk	This review has been deleted due to the service review which is underway.
R&N	<p>Building Control To assess whether the re-engineered business processes Building Control cases are robustly managed.</p>	Core Fraud Risk	This review has been deleted due to the service review which is underway.
<p>Efficient and Effective Customer Focused Services: Ensure the Council is fit for purpose by meeting national and local requirements to agreed timescales and to optimum performance standards</p>			
R&N	<p>Repair and Renew (Flood) Grant To certify approved claims for the flood support scheme as required by the memorandum of understanding between the Department for the Environment, Food and Rural Affairs and the Council.</p>	New In year risk	Grant Claim signed off November 2015.
All	<p>Debt Collection To assess whether there are robust processes in place to ensure all debt due is cost effectively collected.</p>	Core Fraud Risk	Draft report produced
Res	<p>IT Disaster Recovery To assess whether there are robust plans, systems and processes to ensure the Council's IT systems and data are recoverable following a disaster incident.</p>	Core	Draft report produced
Res	<p>Capita IT Contract Management To assess whether there is robust management of the IT contract.</p>	Core	Report issued December 2015.

CPBC Appendix B: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type *	Status as at 10 June 2016
Res	<p>IT Governance</p> <p>To understand and assess whether there is sufficient clarity over roles and responsibilities for key IT-related tasks and outcomes (per Information Technology Infrastructure Library practices).</p>	Core	Report issued December 2015.
Env	<p>Disabled Facilities Grants</p> <p>To assess whether applications for Disabled Facilities Grants are assessed accurately and promptly and works are carried out to specification and budget.</p>	Core Fraud Risk	Report issued December 2015.
Env	<p>Landlord Management</p> <p>To assess whether:</p> <ul style="list-style-type: none"> • licensing of Houses in Multiple Occupation (HMO) is robust • the Council is maximising the opportunities around legal redress schemes and selective licensing of landlords. 	Core	Deleted as the HOM licensing project is still being implemented.
H&C	<p>Housing IT System</p> <p>To assess whether the new Housing IT system is effectively specified, procured and implemented.</p>	In year risk	Deleted as the system is not being replaced during 2015/16.
H&C	<p>Residential Leaseholder Charging</p> <p>To assess whether all works chargeable to leaseholders are accurately calculated and completely received.</p>	Core Fraud Risk	Report issued September 2015.
H&C	<p>Right to Buy</p> <p>To assess whether Right to Buy applications are correctly assessed and all required supporting evidence is obtained.</p>	Core Fraud Risk	Report issued December 2015.
H&C	<p>Allocations</p> <p>To assess whether adequate processes and procedures are in place to enable Council housing to be allocated and empty properties re-let, fairly, consistently, promptly and in line with the Allocations Policy.</p>	Core Fraud Risk	Report issued July 2015.

CPBC Appendix B: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type *	Status as at 10 June 2016
Key Financial Systems			
<p>Efficient and Effective Customer Focused Services: Ensure the Council is fit for purpose by meeting national and local requirements to agreed timescales and to optimum performance standards</p>			
<p>To assess whether the key controls in each of the key financial systems effectively prevent or detect material errors on a timely basis so that this information can be relied upon when producing the Council's statement of accounts.</p>			
H&C	Housing Rents(2014/15)	Core Fraud Risk	Report issued July 2015.
Res	Accounts Payable	Annual Fraud Risk	Draft report with client
H&C	Accounts Receivable		Draft report with client
H&C	Business Rates		Draft report with client
H&C	Council Tax		Draft report with client
Res	General Ledger		Report issued June 2016
H&C	Housing Benefit		Draft report produced
H&C	Housing Rents		Draft report with client
H&C	Income Receipting and Banking		Report issued April 2016
Res	Payroll		Report issued May 2016
Res	Treasury Management		Report issued February 2016
Implementing Action Plans			
<p>Efficient and Effective Customer Focused Services: Ensure the Council is fit for purpose by meeting national and local requirements to agreed timescales and to optimum performance standards</p>			
All	<p>Audit Reports to be Revisited To check that actions agreed have been implemented, properly, in a timely manner.</p>	Core	
	<ul style="list-style-type: none"> Safeguarding Arrangements 		Draft report produced

CPBC Appendix B: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type *	Status as at 10 June 2016
Managing Delivery of the Audit Plan			
	Audit Planning and Resourcing		
	Managing Contractor work		
	Reporting to Management Team and Audit Committee		
	Contingency for In-Year Unplanned Work		

Audit Plan Definitions

Departments:

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

***Core work** means those service activities that score as high risk (i.e. risk level 1 or 2 out of 4) from an audit perspective based on the criteria set out in the Internal Audit Strategy.

Appendix C: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at May 2016

Ref	Standard	Evidence / Comment	Action Required	Current Status
3	ATTRIBUTE STANDARDS			
3.1	1000 Purpose, Authority and Responsibility			
C3 (new)	<p>Does the internal audit charter also:</p> <ul style="list-style-type: none"> establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities? identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011? 	Y	<p>It does but it refers to the previous Accounts and Audit (England) Regulations 2011.</p> <p>Update the Charter in Jan 2016 to reflect the wording of the Accounts and Audit Regulations 2015.</p>	<p>Updated Charter approved by the Audit Committee in March 2016.</p>
	1120 Individual Objectivity			
C20 (new)	Do internal auditors avoid any conflict of interest, whether apparent or actual?	Y	<p>Refer ethical governance statement</p> <p>Include a requirement for auditors to confirm there is no conflict of interest on the Audit Management Checklist.</p>	<p>Amendment made. This will be applied to all 2016/17 audits.</p>
	1130 Impairment to Independence or Objectivity			
C29 (new)	Have internal auditors complied with the Bribery Act 2010?	Y	<p>The actions required to comply with this are included in the Council's Anti Fraud & Corruption Policy and Strategy which staff are aware of.</p> <p>Make specific reference to this in the team's ethical standards statement.</p>	<p>Amendment made. This will be applied to all 2016/17 audits.</p>

Appendix C: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at May 2016

Ref	Standard	Evidence / Comment	Action Required	Current Status
3.3	1200 Proficiency and Due Professional Care			
	1210 Proficiency			
C35 LGAN	Does the Head of Internal Audit (HoIA) ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	Y Last reviewed and job evaluated in October 2012.	Re-assess relevance of job profiles as part of the service review to be completed this summer 2015.	Outstanding as the service review has yet to be completed.
	1220 Due Professional Care			
C41	Do internal auditors exercise due professional care by considering the: c) Adequacy and effectiveness of governance, risk management and control processes?	Y This was set out in the Terms of Reference and now the Charter.	Assess whether the audit approach in the Audit Manual sufficiently covers the role of internal audit in assessing the adequacy of risk management processes when undertaking audits.	The Audit Manual does cover this.
3.4	1300 Quality Assurance and Improvement Programme			
	1311 Internal Assessments			
C57 LGAN	Does ongoing performance monitoring include obtaining stakeholder feedback?	Y Client satisfaction surveys are sent out at the end of each assignment. The results of this are reported upon to each Audit Committee meeting as part of the team's suite of performance indicators.	Develop a short service survey for completion periodically by senior management and the Audit Committee.	The new stakeholder survey approach was piloted between Jan and Mar 2016. This will be applied fully to the 2016/17 Audit Plan.

Appendix C: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at May 2016

Ref	Standard	Evidence / Comment	Action Required	Current Status
1312 External Assessments				
C61 LGAN	Has the HoIA considered the pros and cons for the different types of external assessment (i.e. 'full' or self-assessment plus 'independent validation')?	Y The last external assessment by external audit against the CIPFA Code of Practice for Internal Audit in LG in the UK covered the year ended 31 March 2011. To date, the HoIA has completed the assessment, and sometimes has provided it with supporting evidence for someone independent of the service to assess. However the other option is to opt for a full external assessment by a suitably qualified person. The assessment must take place within 5 years of the UK Public Section Internal Audit Standards (Standards) coming into force i.e. April 2013.	Decide on the approach to be adopted with senior management and the Audit Committee when the assessment is due.	This needs to be completed before 31 March 2018.
4 PERFORMANCE STANDARDS				
4.1 2000 Managing the Internal Audit Activity				
2010 Planning				
D7 (new)	Does the risk-based plan take into account the organisation's assurance framework?	Y Assurance has been mapped as part of the audit planning process – refer risk assessment.	Check the assurance map with the Good Governance Group to ensure it is complete before starting to plan for the 2016/17 audit.	This will be done during 2016/17 to inform next years Audit Plan.

Appendix C: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at May 2016

Ref	Standard	Evidence / Comment	Action Required	Current Status
D31 LGAN	2040 Policies and Procedures Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	Y The Charter and Strategy are reviewed annually and presented to senior management and the Audit Committee with the Audit Plan. The adequacy of the audit approach was assessed as part of the external audit review of the service in 2010/11. It has not changed significantly since then although it is continually developed.	Assess whether the Audit Manual is still fit for purpose taking into account the new Standards.	The Audit Manual was reviewed in July 2015 to ensure compliance with the PSIAS.
D32	2050 Coordination Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	Y This is not explicitly stated in any of the audit documents / approach but it is the approach auditors would take should the opportunity arise to do so.	Document the approach in the Audit Manual that auditors should take when undertaking an audit to identify and assess the level of assurance that can be provided by other sources and how this can be used.	In reality, this is dealt with at Audit Planning stage when any other assurance available to auditors is identified, assessed and if necessary turned into an audit – refer to the Strategy. The relevant approach would then be applied from the Audit Manual.

Appendix C: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at May 2016

Ref	Standard	Evidence / Comment	Action Required	Current Status
4.2	2100 Nature of Work			
	2110 Governance			
D44	Has the internal audit activity evaluated the: a) design b) implementation, and c) effectiveness of the organisation's ethics-related objectives, programmes and activities?	Y The design of the Council's ethical governance framework was completed in 2014/15. The other aspects of this requirement do form part of the company's audit risk assessment	Plan to cover the other aspects of ethical governance in due course.	All 2015/16 financial system audits included an assessment of whether declarations of interest were being appropriately recorded and acted upon this year.
4.4	2300 Performing the Engagement			
	2330 Documenting Information			
D93	Has the HoIA developed and implemented retention requirements for all types of engagement records?	Y In the Strategy.	Confirm this is reflected within the corporate document retention records.	The corporate Document Retention Policy will be updated to reflect this by 31 March 2016.



Appendix C: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at May 2016

Ref	Standard	Evidence / Comment	Action Required	Current Status
4.5	2400 Communicating Results			
	2431 Engagement Disclosure of Non Conformance			
D113	Where any non-conformance with the Standards has impacted on a specific engagement, do the communication of the results disclose the following: a) The principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results?	Y This has not been an issue to date but this information would be disclosed. However the action to be taken should this arise is not formally set out in any team documentation.	Build the requirement to disclose non-conformance with the Standards into the: <ul style="list-style-type: none"> • Audit Manual • report templates used. 	Outstanding. Will review during 2016/17.
	2450 Overall Opinion			
D125	Does the annual report incorporate the following:			
LGAN	h) The results of the Quality Audit and Improvement Programme (QAIP)? i) Progress against any improvement plans resulting from the QAIP?	Y The HoIA's annual report for 2014/15 includes this action plan which contains the: <ul style="list-style-type: none"> • current status of outstanding actions from 2013/14 • new actions arising from the 2014/15 review. 	Provide the Audit Committee with a mid-year report on the progress made in implementing actions contained in the team's improvement plan.	Delivered January 2015 Audit Committee.

Key: Y= Yes, P = Partial, N = No

Committee: **AUDIT COMMITTEE**

Sub-Committee:

Date: **28 June 2016**

Subject: **Annual Governance Statement 2015/16**

Report of the: **Head of Performance & Service Support**

Report author: **Craig Watts**

1 Purpose of Report

To present the Annual Governance Statement for 2015/16 to the Committee.

2 Background

The responsibility for ensuring that there is a sound approach to governance, risk management and control rests with the Council. It is required to report on this annually via its Governance Statement which is published with the financial statements.

In order to do this, the Council should seek regular assurance that its systems are functioning effectively. It should also ensure that the controls in place are effective in managing significant risks in the way that it would expect.

The Council has delegated responsibility for monitoring and reporting on the adequacy and effectiveness of its governance, risk management and controls to the Audit Committee.

Therefore the Committee is required to satisfy itself that the Annual Governance Statement is consistent with its view on the Council's systems based upon the assurance presented to it throughout the year.

3 Legal implications

Accounts and Audit Regulations 2015 section 6 states that:

(1) A relevant authority must, each financial year—

(a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and

(b) prepare an annual governance statement;

(2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—

(a) consider the findings of the review required by paragraph (1)(a)

(i) by a committee; or

(ii) by members of the authority meeting as a whole; and

(b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of

(i) a committee; or

(ii) members of the authority meeting as a whole.

(4) The annual governance statement, referred to in paragraph (1)(b) must be

(a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and

5 (b) prepared in accordance with proper practices in relation to accounts (a).

4. Report

The Annual Governance Statement is attached as Appendix 1.

5. Financial implications

None

6. Human Resource, Equality, IT, Asset Management Implications

None.

7. Links to Council's priorities and objectives

Operating robust governance arrangement contributes to the delivery of all Council aims and priorities but specifically to the Council Priority: Improving the Council and the Corporate Key Objective of Improving Council Performance.

8 Timescale for implementation and risk factors

Failure to operate robust governance arrangements can potentially lead to poor management, performance, stewardship of public money, public engagement and ultimately, poor outcomes for citizens and service users. It increases the risk that corporate priorities won't be delivered.

Recommendations:

The Committee adopts the Annual Governance Statement 2014/15 and subject to any further amendments from external audit recommends its adoption to Council.

Resolution required.

Background Papers:

- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.
- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Guidance Note for English Authorities
- The CIPFA Finance Advisory Network, The Annual Governance Statement, meeting the requirements of the Accounts and Audit Regulations 2003, Incorporating

Accounts and Audit (Amendment) (England) Regulation 2006, Rough Guide for Practitioners.

- The Accounts and Audit Regulations 2011

Appendix:

- **Appendix 1: Governance Statement 2015/16**

ANNUAL GOVERNANCE STATEMENT

1 SCOPE OF RESPONSIBILITY

Castle Point Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. Castle Point Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Castle Point Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code is on our website at www.castlepoint.gov.uk or can be obtained from the Head of Performance & Service Support by e-mail crwatts@castlepoint.gov.uk or by phone on 01268 882419. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the vision, culture and values, systems and processes and structure by which the Council is organised, directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The framework needs to be flexible to ensure it meets the needs of a changing environment.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Castle Point Borough Council for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

Operation of the governance framework

The governance framework ensures the Council's vision and key priorities are effectively promoted and progressed through its corporate governance arrangements and business planning processes. The key elements of the governance framework are as follows:

- Community Engagement
- Business Strategy and Planning
- Financial Reporting including Budgetary Control
- Asset Management
- Policy Framework
- Risk Management including Fraud and Corruption, Whistleblowing, Health and Safety and Business Continuity
- Performance Management
- Information Governance
- Data Quality

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- Procurement
- Partnerships
- Project Management
- Value for Money
- Complaints
- Ethical Governance including Codes of Conduct
- Workforce Management

These areas form the main sources of assurance to be considered in any review of the internal control environment. In support of the review process, the Local Code of Governance sets out further detail to be reviewed in each area before an opinion on the effectiveness of the system of internal control can be expressed.

The Head of Performance & Service Support has been given the responsibility for overseeing the implementation and monitoring of the Code, through a process which includes:

- quarterly reports to Executive Management Team and the Audit Committee which set out:
 - weaknesses identified in the governance arrangements;
 - any corrective action necessary to resolve concerns identified
- an annual review of the governance framework supported by manager assurance statements certified by service managers
- a corporate assurance process for key governance processes with a nominated officer owner undertaking an assessment
- an assessment of compliance with the core principles of the CIPFA delivering good governance assessment
- an annual report to Executive Management Team and the Audit Committee on the adequacy of governance arrangements

The process also includes a governance group of officers responsible for the implementation and monitoring of key governance processes. The group provided a challenge of the operation of the processes and individual assessments of core governance processes for which they were responsible for. Some of their findings and further work have been incorporated into the views expressed in this governance statement. Each corporate process was subject to an overall assessment by the governance group according to one of four assessments: High (majority or all requirements being met), Satisfactory (significant proportion greater than 50% of requirements are met), Partial (Some requirements are met but less than 50%); Minimal (very few requirements are met). A summary of the key findings for each corporate process is set out in the table below:

Assurance Process	Assessment
Consultation and Engagement	Satisfactory
Business Planning & Strategy	Satisfactory
Financial Reporting including Budgetary Management	High
Asset management	Satisfactory
Risk Management	Satisfactory
Fraud & Corruption	Partial
Health & Safety	High
Business Continuity	Satisfactory
Performance Management	Satisfactory
Data Quality	Satisfactory
Information Management Security	Satisfactory
Procurement	Satisfactory
Project Management	Satisfactory
Complaints	Satisfactory
Codes of Conduct	High
Ethical Governance	Satisfactory
Workforce Management	High

Further detail relating to the findings is incorporated into the review of effectiveness set out in section 3.

The Council's key governance and business planning processes are also subject to audit on a risk basis. This work forms part of the evidence in support of the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance framework.

3 REVIEW OF EFFECTIVENESS

Reviewing the effectiveness of the framework

Castle Point Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies.

In addition, the Head of Internal Audit provided reports throughout the year as well as the annual report which provides an opinion on the adequacy and effectiveness of the Council's risk management, control and governance framework. These reports are considered when reviewing the effectiveness of the framework.

CIPFA/SOLACE Core Principle 1:

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

In September 2015 the Council's corporate plan was considered and approved by Full Council. The plan sets out a vision for the area and four corporate priorities: Public Health and Wellbeing, Environment, Transforming our Community and Efficient and Effective Customer Focussed Services. The plan complies with a number of good practice requirements, and as a result of the findings from last year's annual governance statement, the corporate plan was further improved with a section detailing an annual report on achievement against the objectives of the Council.

An annual corporate action plan to help deliver the aims and objectives of the corporate plan was developed and forms the basis for monitoring and highlight reporting, and this action plan was subject to monthly reporting to Executive Management Team. The corporate plan was subject to community consultation in 2013 and further consultation was undertaken on service specific issues such as the Leisure Strategy during 2014 and the Local Council Tax Support Scheme arrangements for the last few years. The Council seeks to ensure that consultation which informs the corporate plan is no greater than 3 years old and will therefore need to plan to undertake further consultation during the autumn of 2016.

The Council maintains its commitment to the Local Strategic Partnership with Rochford District Council, and operates partnership working with the Thames Gateway Partnership and the Regeneration Partnership. Partnership work is also progressed through Essex wide partnerships which have included projects such as investigating the possibility of a single Building Control service for Essex, investigating the possibility of a combined authority and undertaking locality reviews for an area to establish the assets and land owned by all public sector organisations in a district area and clarify the opportunities. A locality review was recently undertaken for Castle Point district area and a number of potential opportunities have been identified. Landholdings owned by public sector organisations have been registered on a publically accessible website known as Essex Property and Assets Map (EPAM) and assets owned by Castle Point are planned to be shortly made available to view by the public through this website.

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The Council has been working with partners to assist in the development of a combined authority which could have significant implications for transport infrastructure development and growth throughout the county if a successful bid is submitted. Partnership arrangements are also currently subject to an internal audit and the results of that work and the implementation of any recommendations will be used to help develop a partnership strategy to provide greater clarity and focus for the strategic partnerships that are in place. Further work will also be required to align the priorities of the corporate plan with the ambitions of partners and this will be detailed in the partnership strategy during 2016.

Highlight reporting was in place to ensure the delivery of corporate objectives and a quarterly performance scorecard was monitored by Cabinet and Executive Management Team. This included an internal audit of the robustness of the data quality of planning processing performance indicators which were found to be sound.

Core performance management arrangements are in place and this includes the operation of an Access database to produce performance information for all services, with reports produced every quarter and reviewed by EMT. There is some variance in the completion of performance information and in the robustness of target setting. Consequently, a workshop is planned to be held with Operational Management Team in September 2016 to go service planning arrangements and target setting will be an element of this.

The self-assessment by managers for performance management arrangements in the managers' assurance statement demonstrated that most managers assessed themselves to have satisfactory or high assurance although several managers assessed their arrangements to be partial. It has also been noted that not all service areas ensure appraisals are completed for all staff and there is not always regular performance monitoring at a service level. Further work is required to strengthen the controls in this area. This will be subject to monitoring over the coming year.

The financial forecast going forward indicates a fully balanced budget for 2016/17, and a predominantly balanced budget for 2017/18, although this is not the case for 2018/19 and beyond. As a result, significant ongoing efficiencies and cost savings need to be identified for those years. Efficiencies identified during the course of 2016/17 will be available for re-allocation to spending priorities or applied to the Council's general reserves. General reserves are currently predicted to be fully depleted by 2020/21. In this context the Council has continued to undertake efficiency review work during 2015/16 and has also developed an Austerity and Commercial Strategy to be implemented in 2016/17, as referred to under Core Principle 5 below. Further information on this strategy can also be found in section 2 of the Council's Policy Framework and Budget Strategy for 2016/17, approved by Council on 24th February 2016. Progress in the implementation of the strategy and the securing of cashable savings will be monitored.

The Council has adopted a set of value for money indicators as part of its value for money strategy. The overall cost of Council services (net service expenditure) per head of population was in the middle third for all District Councils in 2014/15 at £117.89 per head of population compared to an average for all District Councils of £121.43 per head of population. This figure has increased slightly from the 2013/14 figure of £111.78; however the overall longer term trend is a significant decrease since 2009/10 when the figure was £176.83 per head.

The Council's revenue from fees and charges is also ranked in the middle third at 17.47% (as a percentage of total spend) compared to a district average of 22.42%. This represents an improvement in performance compared to the previous year, when the Council ranked in the lowest quartile at 14.31%, and again the longer term trend is an improvement since 2009/10, when it was 13.05%.

Financial monitoring reports are informed by a risk assessment and focus on the Council's large, high risk or volatile budgets. Departures from budget, and corresponding operational performance information, are reported to Executive Management Team and Cabinet on a regular basis.



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CIPFA/SOLACE Core Principle 2:

Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Constructive working relationships exist between officers and members and there are some examples of effective decision making. For example, the decision to purchase and refurbish a home as a house in multiple occupation for homeless people. This has resulted in improved refurbished accommodation for homeless people which is also cost effective as the Council receives income for the rents. Other examples include master planning for John H Burrows Recreation Ground and the decision to dispose of a housing property at Maple Way in order to help fund future social housing development. The Council also recognises that there are further challenges with the need to locate significant financial savings in the near future

Whilst constructive working relationships exist between officers and members throughout the Council, there have been significant difficulties with the decision by full Council to approve a New Local Plan for further consultation with statutory and non statutory consultees and residents. This is an important decision, but there is a risk that it may not be found to be fully robust if and when it progresses to be examined by an independent inspector as it may lack sufficient housing supply numbers during the life of the plan. The progress of the plan will continue to be monitored.

The Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness. Any significant changes to the Constitution are approved by Full Council following consideration of a report made by the Chief Executive.

Decisions made by the Cabinet may be Called-in (in accordance with the procedure for a Call-in, which is shown in the Overview and Scrutiny Procedure Rules) by the Scrutiny Committee. A decision made by Cabinet is published within 4 working days of the Cabinet meeting and can be called-in for consideration by the Scrutiny Committee within 5 working days of the publication by either the Chairman of the committee or by 3 committee members.

The approach to business continuity is generally robust with most services updating a service level business continuity plan during 2015/16 which has helped to develop a refreshed corporate business continuity plan. Testing of ICT arrangements was undertaken and revealed some further work was necessary in order to maintain a core ICT system in the event of a failure and further work has been undertaken to ensure an orderly shutdown of servers out of office hours in the event of an electricity cut. Progress will continue to be monitored.

The Council has a service planning process and associated guidance. A review of the manager's assurance statements demonstrated that most services assessed themselves to be satisfactory or high compliance with a couple that were partial. A corporate challenge exercise was undertaken and some issues were identified in the completion of the service plans. This was reported to Executive Management Team and some corrective action was undertaken. Work was also undertaken to ensure corporate objectives were mapped into directorate service plans and a corporate action plan which was underpinned by the directorate plans was in place throughout 2015/16. There was some variance in the completion of service plans, with differences for example in the detail in action plans. To help embed the arrangements and develop greater consistency of approach, a workshop with operational management team is planned to be undertaken in September 2016.

The Council has established project management arrangements with a process based on PRINCE2 principles. This has been used to undertake significant projects and procurements for example in the construction of homes at St Christopher's Close and in the refurbishment of a house for multiple occupation. A register of prioritised projects was obtained from those identified in service plans and the most important projects were incorporated into the corporate action plan. A significant number of managers stated that they were not undertaking projects over the last year, whilst those that were generally indicated satisfactory compliance.

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Council officers and members continue to participate in an array of partnerships and the arrangements are currently subject to an Internal Audit. Following the results of the audit further work is planned to examine the potential to rationalise partnership working and re-focus the partnership framework.

ROLE OF THE CHIEF FINANCIAL OFFICER

The Section 151 Chief Financial Officer (CFO) occupies a key position in the Council, managing the Councils' finances and ensuring that resources are used wisely to secure positive results.

In order to support the post holder in the fulfilment of their duties and ensure that the Council has access to effective financial advice, in 2010 the Chartered Institute of Public Finance and Accounting (CIPFA) issued a Statement on the Role of the Chief Financial Officer in Local Government. The statement sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role, and includes five key principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. These statements are set out below

- 1) The CFO in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
- 2) The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.
- 3) The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
- 4) The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
- 5) The CFO in a local authority must be professionally qualified and suitably experienced.

The Council has the necessary arrangements and procedures in place which ensure that these principles are either directly complied with or, where not directly complied with, there are alternative procedures in place so that the necessary outcomes and objectives are still achieved and suitable controls are in place. For example the CFO is a member of the leadership team (Executive Management Team) and reports directly to the Chief Executive.

CIPFA/SOLACE Core Principle 3:

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

The Council has an established set of organisational values which underpin the approach to engaging with staff and the community.

The Council has Codes of Conduct for Members and staff within the Council's Constitution. The Code of Conduct for Members was developed by an Essex wide legal partnership and has been adopted by a number of Councils within Essex.

As a condition of office all members are required to sign an undertaking that they will observe the Code of Conduct. There is a requirement to re-sign this undertaking when there are any major revisions to the Code as well as on election or re-election. The staff Code of Conduct sets out

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policies and expectations for staff conduct. It is published on the Intranet and a copy is issued to every new starter as part of the induction pack.

Arrangements to investigate breaches of proper standards of conduct include a staff handbook which outlines expected codes of conduct and procedures for dealing with breaches e.g. disciplinary procedures for staff. The Constitution also includes the requirement for the Council to appoint a Review Committee which has a role which includes promoting and maintaining high standards of conduct and behaviour as well as hearing any complaints of breaches of the Code. The Council has appointed 2 Independent Persons who must be consulted before the Council makes a finding as to whether a Member has failed to comply with the Code of Conduct and who are appointed to the Review Committee as co-optees.

An audit of ethical governance arrangements was undertaken in 2014 and found that the Council has satisfactory arrangements with the core documents, processes and arrangements in place to form an ethical governance framework as part of its overall governance arrangements. In addition, the corporate assurance processes for ethical governance has been updated with a specific focus on ethical governance that includes relevant criteria within a corporate assurance statement. This was applied for 2015/16 and the arrangements were found to be satisfactory. The governance group found that there is an opportunity to further clarify the approach and will be looking at greater integration of this with other processes such as the code of conduct.

The Council communicates its complaints policies and whistle blowing procedures, and ensures all stakeholders have access through the Internet. The whistle blowing policy was also updated in September 2015. However, further work is required to improve awareness by undertaking relevant briefing sessions with staff, and through promotion such as the distribution of leaflets on fraud and corruption and whistle blowing. The Department for Works and Pensions took on the management of staff directly for benefit fraud work in September, and the position and approach to undertake other corporate fraud work was unclear, resulting in a partial assessment in this area. Since then work has been undertaken to clarify the approach and an arrangement with Thurrock Council to undertake corporate Fraud work has recently been agreed and should improve the robustness of the assurance arrangements during 2016/17. Progress will be monitored.

During the year work was undertaken to update the complaints policy and procedure to simplify it from a three stage to a two stage complaints process. This was achieved and agreed by March 2015. A new Access database for recording complaints was launched in May and has begun to be used to monitor the recording of complaints and the compliance of services in ensuring the recording of complaints. Whilst there has been an improvement in the usage of the database by services it is not yet fully used by all services. An Internal Audit of the arrangements was undertaken during the year, and found that staff have access to a clear procedure that will help them to process complaints, comments and compliments. However, guidance about handling third party contractor complaints is required and further work is required to make sure all staff record complaints, so that reporting and analysis of them is effective in identifying service improvements. Progress in the implementation of the action plan following this audit will be monitored and reported to Audit Committee throughout the year.

CIPFA/SOLACE Core Principle 4:

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

There are three Policy and Scrutiny Committees which may make proposals in relation to their particular functions, including the review and development of policy items, whose proposals support the Council's published priorities. During the year Scrutiny Committee undertook a scrutiny of the reasons for the closure and re-opening of the Concord Paddling Pool. A key focus during the year was the development of a draft new local plan with a task and finish group investigating a number of development issues. As previously stated progress in developing the Local Plan has been difficult but full Council did agree a draft Local Plan in March for further resident consultation. Following the consultation process the draft plan will be submitted to the Department for

ANNUAL GOVERNANCE STATEMENT

Communities and Local Government where it will be subject to a formal inspection process to ensure it is sound and robust. Progress in the development of the Local Plan will continue to be monitored.

The corporate risk register was monitored during the year by Executive Management Team and has been updated by Heads of Service. It has been reported to the Audit Committee. Risks and health and safety issues were also discussed at directorate meetings during the year. A corporate health and safety risk register was regularly considered by Executive Management Team. A summary report on risk management issues was produced periodically and reported to Executive Management Team and the Audit Committee.

Whilst the core process is in place, risk management requires further development. The Risk Management strategy is several years old and the officer governance group considers that it is necessary to refresh the strategy. Furthermore an Internal Audit of the Risk Management arrangements within Council services is planned and actions arising will be subject to monitoring and reporting to the Audit Committee.

The Council continues to maintain a corporate Health and Safety process. For example, risk assessments are recorded on a corporate database, and there is reporting of any significant health and safety issues to Executive Management Team. Furthermore a self-assessment and performance analysis process is in place for service managers to complete to help enable them to understand how well their current arrangements operate and any potential for further development.

The processes for Information Governance are in place and guidance has been incorporated into the 'How it Works' document. Arrangements are led by the Head of Law and include a number of policies ranging from a clear desk policy and document retention policy to guidance on privacy of data and when data is clearly public. Information asset registers are also in place for some services. Managers are also required to follow the data security breach management procedure should this be necessary.

The Council has a comprehensive procurement toolkit and strategy and associated governance processes which have been subject to an annual review by the Head of Law. The arrangements are proving to be effective and officers use the expertise provided by the procurement hub to help develop invitation to tenders for a range of services and to quantify savings from procurements compared to budgeted costs. In 2015/16 this was reported by the hub to amount to £434,425 annual revenue savings from contracts such as the Grounds Maintenance & Street Cleansing Services contract with Pinnacle.

Guidance on the importance of data quality requirements was set out in the 'How it Works' document and communicated to all managers. Systems work has been undertaken to ensure data quality requirements are considered, for example, the operation of a detailed performance management framework in the Housing Services, and the implementation of a new Uniform system for Planning, Building Control and Land Charges services which has specified performance measures built into the system. An Internal Audit of data quality arrangements for planning processing figures was undertaken last year and concluded that there was satisfactory compliance with indicator data which was free of material errors.

Internal Audit

The annual risk based audit plan was prepared in consultation with Heads of Service, Executive Management Team and the Audit Committee. The audit plan was delivered with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly, by the due date. A quarterly performance report was taken to Executive Management Team and the Audit Committee. The Head of Internal Audit annual report and opinion was also considered by the Audit Committee and included an assessment of compliance with relevant professional standards. The Head of Internal Audit's annual opinion states:

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“Overall, the design and operation of the Council's risk management, control and governance framework is considered to be satisfactory.

Management continue to work proactively with Internal Audit to identify appropriate ways to strengthen arrangements where opportunities to do so have been identified.”

In respect of compliance with relevant professional standards, the Head of Internal Audit states:

‘...The in-house service has substantially conformed to the relevant professional standards and Council's operational requirements throughout the year.

I have obtained assurance from the external supplier regarding its conformance with relevant professional standards, but have not independently confirmed this with regards to audit work completed at the Council...’

Internal Audit will be subject to a formal, independent review of its compliance with professional standards every five years. External audit relies on the work internal audit complete on financial systems where it is relevant to its audit of the Council's financial statements.

Audit Committee

The Audit Committee consists of a chairman and four other members. The committee's role is to provide independent assurance to Council on the adequacy of the risk management framework and associated internal control environment and the integrity of the financial reporting and governance processes.

External Audit

External Audit is undertaken by Ernst Young and their work includes:

- providing an opinion on the financial statements, including whether they provide a true and fair view of the financial position at the end of the year and the expenditure and income for the year, and that they have been properly prepared in accordance with relevant legislation and applicable accounting standards;
- review and certification of significant value grant claims, and
- reviewing and providing a conclusion of the arrangements in place to secure value for money.

Where the auditor identifies weaknesses in the Council's arrangements or significant deficiencies in internal controls, these are highlighted in the final report to the Audit Committee.

External Inspections

There were no external inspections of Council services during the financial year 2015/2016.

CIPFA/SOLACE Core Principle 5:

Developing the capacity and capability of members and officers to be effective.

The Constitution sets out the responsibilities for Scrutiny Committee, Policy and Scrutiny Committees and the Audit Committee. The Audit Committee's role includes an overview of the governance arrangements and received quarterly monitoring reports on its effectiveness. In addition the committee considered further detail on the development of a revised complaints policy and procedure and also considered the corporate risk register. The Audit Committee received a standard induction from the Head of Internal Audit and external auditor. Additional training is provided to meet identified needs and every agenda to the committee includes any relevant recent publications to help with good practice in governance awareness.

Training and development is also targeted to meet particular committee requirements, for example Development Control and Licensing Committee members receive regular training and briefing

ANNUAL GOVERNANCE STATEMENT

sessions before committee business. The information needs for members to effectively develop policy and make decisions is also considered, and various reports and further details were provided to the member working group in the development of the Local Plan.

The Council has an appraisal system in place which has been operating across all Council services for a number of years. The governance group has considered the operation of the arrangements and has determined that there is currently a risk that not all staff are having a yearly appraisal as there is a lack of reported monitoring of this. Consequently further work will be undertaken to strengthen the monitoring of the compliance of the appraisal process with planned monitoring at Department level.

The Council has effective recruitment and retention arrangements and a Corporate Training Plan which provides staff development programmes to ensure staff skills are further developed to improve the capacity of the Council and the continued development of staff. Development and training is varied and includes professional programmes such as CIPFA qualifications to generic training. The Council also makes use of online training programmes particularly for induction and training in health and safety arrangements.

Like all other Council's the Council faces significant financial challenges and needs to prepare for future change. In this regard, and as already noted, the Council has identified the need to obtain further cashable efficiencies and over the coming year will be implementing a corporate Austerity and Commercial Strategy action plan which includes a range of actions to deal with austerity. This includes expectations for obtaining significant financial savings from a variety of approaches including service reviews, maximising the use of estate and assets, utilising new technology to transform working practices and procedures, procurement, and exploring ways of securing greater income. The approach will bring a number of possible risk issues and the Council will need to ensure its arrangements consider whether capacity is in the right place and there is organisational planning and succession development, including ensuring sufficient corporate resources are available to effectively manage and deliver change and transformation going forward.

The Council has the core processes in place to ensure decisions consider key information requirements. For example all Cabinet reports are required to include considerations for financial, legal and equality issues. The Council also recognises when the need for external advice is required and has for example, service level agreement in place with South Essex Homes to obtain professional advice and support to undertake effective housing estate and procurement functions. The Council has also requested specific specialist support in the development of key documentation such as the Strategic Housing Market Assessment and has procured specialist support in the design and construction of three new homes in Canvey Island.

CIPFA/SOLACE Core Principle 6:

Engaging with local people and other stakeholders to ensure robust public accountability.

The Council continues its commitment to neighbourhood involvement, with a series of member led Community Liaison Groups throughout the Borough. These were used to help engage with local people to discuss issues and actions for local concerns. A borough wide issue with Essex County Council proposals to rationalise the Sure Start centres was also discussed at the groups, resulting in a report to Health and Well Being Policy and Scrutiny Committee, and subsequently to Cabinet with a consolidated response to the consultation sent to Essex County Council. The Council also works closely with Canvey Island Town Council.

During the year the Council undertook targeted consultation including tenant consultation to help inform housing services and to review satisfaction with repairs and for Landlord services. Public consultation has also been recently undertaken for recreational facilities, street scene and waste management in order to elicit views on the service and ideas for improvement. Consultation was also undertaken on the Corporate Plan back in 2013, and it is good practice for this to be refreshed every three years, with the next consultation due in the autumn of 2016.

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The Council has an Equality Scheme which was agreed in 2014 and includes consultation with a range of stakeholders. The scheme includes records on the groups and organisations in place that represent minority and specialist interest in order to ensure that any future consultations identified and involved these groups as appropriate and can be found on the following link: <https://www.castlepoint.gov.uk/equality-scheme>. The Council also has a consultation toolkit and it was noted by the governance group that there is a need to review and update the toolkit and work is planned to undertake this through the operational management team. The Council also ensures it involves staff in any appropriate decisions and elicits their views on issues. For example a monthly staff forum meets to discuss and agree any issues important to staff.

The Council ensures its services provide clear expectations for service users and members of the public through a set of service standards. These standards are publically available through service access points including the internet site as well as reception areas and through newsletters. The internet address for these is <https://www.castlepoint.gov.uk/customer-promise>.

The Council works closely with partners on joint objectives. As stated earlier a draft partnership strategy is planned to take into account a number of new partner initiatives which have arisen over the last few years.

Significant governance issues

The following are the key governance issues that have been identified:

Number	Issues	Action 2016/17	Date of implementation	Responsible officer
1.	Need for an up to date corporate plan that incorporates recent consultation results as well as deal with significant challenges faced by the Borough and national and local priorities.	Significant re-development of the Corporate Plan.	June 2017	Head of Performance and Service Support
2.	The Council needs to have a local plan that sets out the development of the borough in the medium term and reduces the risk of successful and costly legal challenge.	Consult on the draft submission version of the Local Plan and prepare for submission to Department for Communities and Local Government.	March 2017	Head of Regeneration and Neighbourhoods
3.	The Council needs to re-clarify ambitions with partners which take into account recent developments in partnership working.	Develop a Partnership Framework and associated Strategy.	March 2017	Head of Regeneration and Neighbourhoods
4.	Implement new arrangements to manage Fraud control work in the Council	Trial Service Level Agreement for provision of services by Thurrock Council	June 2017	Strategic Director for Transformation and Resources



ANNUAL GOVERNANCE STATEMENT

		for a one year period and assess impact and effectiveness.		
5.	Complaints not consistently monitored in corporate database.	Ensure new database operates effectively and all services are recording complaints information. Implement actions from the Internal Audit of Complaints.	March 2017	Head of Performance & Service Support / Head of Governance All Heads of Service
6.	Risk management arrangements are not fully embedded. The current risk management framework has not been refreshed recently nor does it include guidance on how to apply risk appetite or tolerance.	Revise risk management strategy and re-consider working practices. Implement improvements.	March 2017	Head of Internal Audit
7.	Implement various improvements to service planning and performance management arrangements.	Workshop with Operational Managers Development and implementation of controls for Appraisals Assessment of compliance with arrangements	March 2017	Head of Performance & Service Support All Heads of Service

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor Colin Riley
Leader of the Council
30 June 2016

David Marchant
Chief Executive
30 June 2016

AUDIT COMMITTEE

28 June 2016

Subject: EY Audit Committee Progress Report

1. Purpose of Report

To provide the Audit Committee with an overview of the external auditors plans for 2015/16.

2. Background

Attached is EY's (the appointed External Auditor to the Council for 2015/16) Audit Progress Report for information.

3. Corporate Implications

Financial Implications

The cost to the Council of external audit for 2015/16 is planned to be £56,265 for the Code audit and £21,801 for the certification work.

Legal Implications

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

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

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

Human Resources and Equality Implications

Human Resources

None

Equality Implications

None.

IT and Asset Management Implications

None

4. Links to Council's Priorities and Objectives

Audit work 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.

Recommendation

The Audit Committee notes the plans for delivering the 2015/16 Audit Plan.

Background Papers

- None

Attachments

- EY's Audit Committee Progress Report

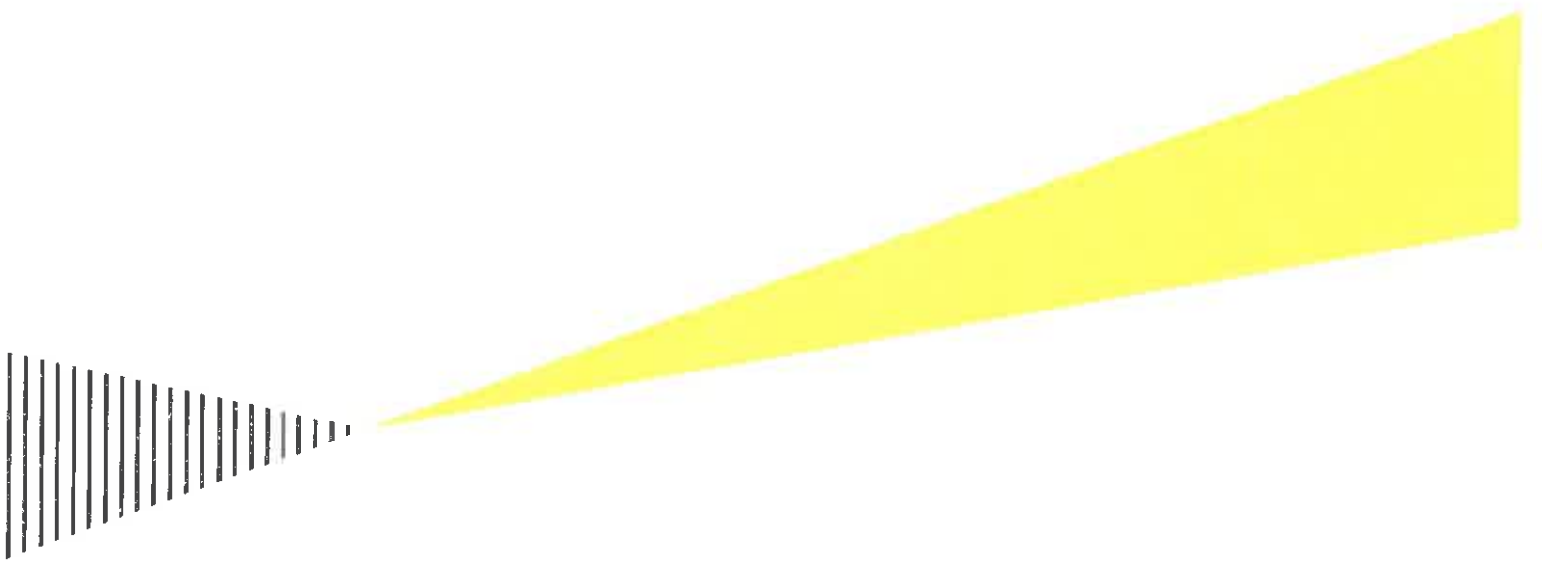
Report Author: Kevin Suter, Executive Director, EY

Castle Point Borough Council

External Audit Update Report

June 2016

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working world



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14 June 2016

Dear Members

External Audit Update

We are pleased to attach our Audit Update Report. This report summarises the work we have undertaken to date and our plans for the remainder of the 2015/16 year. The purpose of the report is to provide the Audit Committee with an overview of the stage we have reached in our 2015/16 audit and ensure our audit is aligned with the Committee's service expectations.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours sincerely

Kevin Suter
Executive Director
Ernst & Young LLP
United Kingdom

Enc.

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1. Summary

1.1 Financial statements

We are required to give an audit opinion on whether the financial statements of Castle Point Borough Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended.

We adopt a risk based approach to the audit and, as part of our ongoing continuous planning, we review your published Council, Cabinet and committee minutes and papers along with the information we have on the wider local government environment. We met with the Council's Chief Executive and Head of Resources (s151 Officer) in November 2015 as part of our initial planning discussions and in order to develop our understanding of the challenges and risks you are facing to inform our work on your financial statement and value for money arrangements. We have also had ongoing discussions with the Head of Internal Audit and Financial Services Manager to ensure our knowledge remains current.

In March we performed our interim audit work which included:

- ▶ documenting our understanding of the Council's material income and expenditure systems by walkthrough testing;
- ▶ testing of controls; and
- ▶ early substantive testing on income and expenditure transactions.

Our walkthroughs of the material financial systems is complete.

Our testing of controls is substantially complete, apart from updating for processes which occur at year end; for example the reconciliation of the debtors and creditors systems to the general ledger.

There are no matters arising from this work that we need to bring to the attention of the Committee.

We are due to return to site in August to undertake our work on the audit of the draft statement of accounts. This will include topping up our early sample testing on income and expenditure transactions.

1.2 Value for money conclusion

In November 2015, the National Audit Office (NAO) published its updated guidance for auditors for their review of arrangements to secure value for money.

The overall criterion for 2015/16 is:

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

Beneath this overall criterion there are three sub criteria which are intended to help auditors in reaching their overall judgement but these are not separate and auditors are not required to reach a distinct judgement against each.

The table on the next page provides further detail on these three sub criteria.

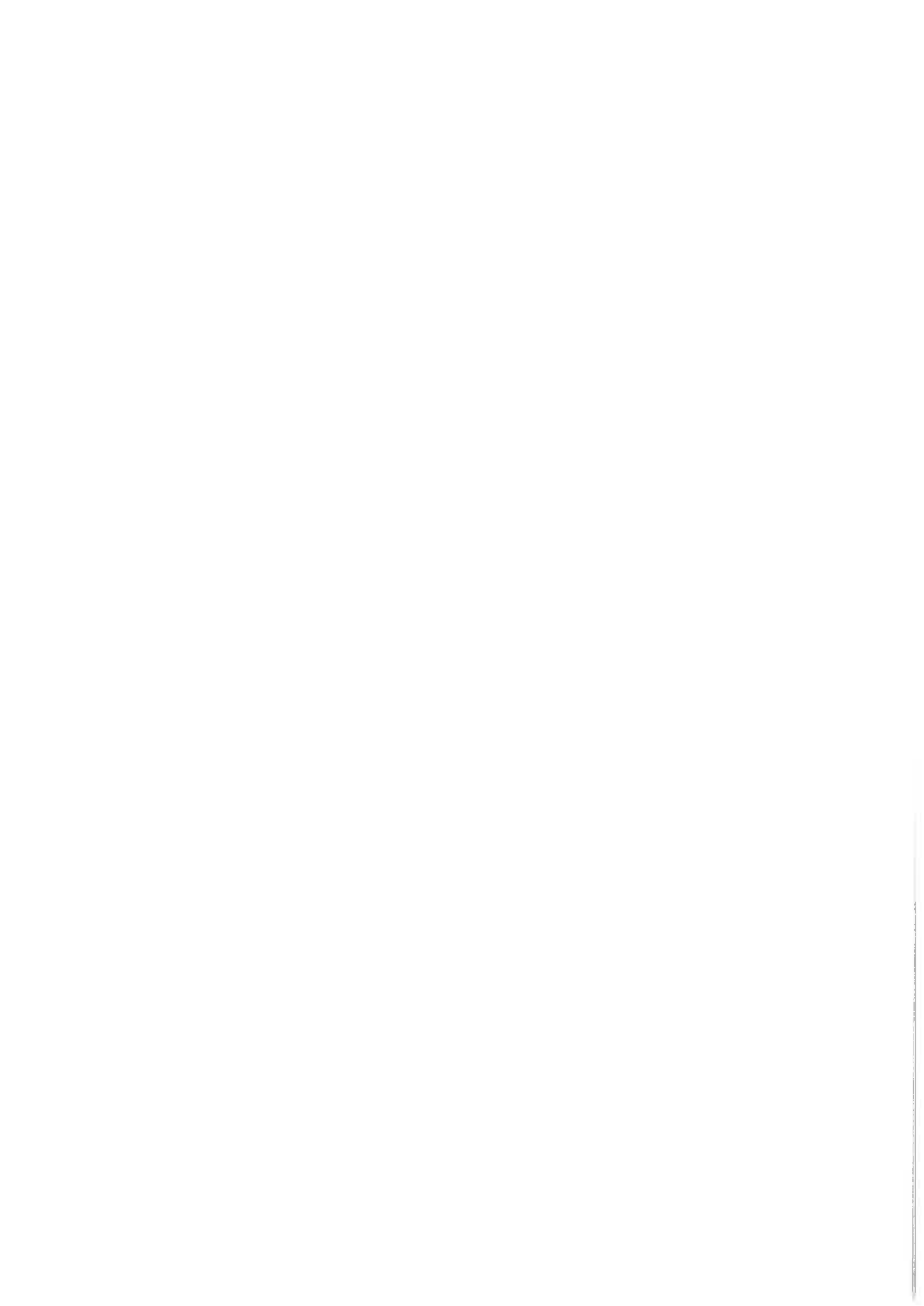
Sub-criteria	Proper Arrangements
Informed decision making	<p data-bbox="748 271 1406 327">Acting in the public interest, through demonstrating and applying the principles and values of sound governance</p> <p data-bbox="748 371 1442 490">Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management</p> <p data-bbox="748 512 1398 568">Reliable and timely financial reporting that supports the delivery of strategic priorities</p> <p data-bbox="748 607 1477 663">Managing risks effectively and maintaining a sound system of internal control</p>
Sustainable resource deployment	<p data-bbox="748 703 1477 759">Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</p> <p data-bbox="748 797 1398 853">Managing and utilising assets effectively to support the delivery of strategic priorities</p> <p data-bbox="748 891 1477 947">Planning, organising and developing the workforce effectively to deliver strategic priorities</p>
Working with partners and other third parties	<p data-bbox="748 987 1398 1043">Working with third parties effectively to deliver strategic priorities</p> <p data-bbox="748 1081 1461 1137">Commissioning services effectively to support the delivery of strategic priorities</p> <p data-bbox="748 1176 1418 1232">Procuring supplies and services effectively to support the delivery of strategic priorities</p>

Our VfM planning is a continuous process through the audit. We have identified no further risks since we presented our audit plan to you at the March Committee.

1.3 Local appointment of auditors

The Department of Communities and Local Government has announced that it has decided to extend the existing arrangements for awarding external audit contracts to the end of 2017/18. From 2018/19 onwards, authorities will be responsible for appointing their own auditors, and directly managing the resulting contract.

Although not taking effect until 2018/19, authorities will need to start putting in place the mechanisms required to deliver this. The appointments will need to be in place from 31 December 2017 in order for the auditors to begin their audit from 1 April 2018. It is not yet clear whether there will be a sector-led body to carry out procurements and appointments on behalf of local government bodies. CIPFA has prepared guidance for local government bodies on developing local auditor panels. Existing external audit arrangements will remain unchanged for the 2015/16 to 2017/18 financial years.



2. Timetable

2.1 Audit timeline

We set out below a timetable showing the key stages of the audit, and the deliverables we will provide to you.

We will provide formal reports to the Audit Committee throughout our audit process as outlined below.

Audit phase	Timetable	Deliverables
High level planning:	Already issued	▶ Audit Fee Letter
Risk assessment and setting of scope of audit	March 2016	▶ Audit Plan
Testing of routine processes and early substantive testing	March/April 2016	▶ Update report
Year-end audit	August 2016	▶ Report to those charged with governance in September ▶ Audit report on the financial statements and value for money conclusion ▶ Audit completion certificate
Reporting	October 2016	▶ Annual Audit Letter

In addition to the above formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Sector Briefings.

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