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**Chief Executive**

## **AGENDA**

<b>Committee:</b>	<b>AUDIT</b>
<b>Date and Time:</b>	<b>Thursday 30th March 2017 at 7.30 p.m.</b>
<b>Venue:</b>	<b>Committee Room 1</b>
<b>Membership:</b>	<b>Councillors Ladzrie (Chairman), Blackwell, Hart, May and Mrs Wass</b> <b>Substitutes: Councillors Acott, Greig, MacLean and Mumford</b>
<b>Officers attending:</b>	<b>Ian Stapleton, Financial Services Manager</b> <b>Craig Watts, Head of Performance and Service Support</b> <b>Mike Dineen, Fraud Investigation Officer</b> <b>Linda Everard, Head of Internal Audit</b> <b>Dan Bonner, Senior Manager</b> <b>Eddie Mosuro, Revenue &amp; Benefits Transformation Manager</b>
<b>Also attending</b>	<b>Dean Bardrick, Manager, EY</b> <b>Kevin Suter, Executive Director, EY</b>
<b>Enquiries:</b>	<b>John Riley, Ext. 2417</b>

### **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 4.1.2017 is attached.
- 4. EY Grant Claims and Returns Certification report for the Year Ended 31 March 2016**  
Report of the External Auditor is attached.
- 5. Quarterly Monitoring Report of the Council's Governance Arrangements**  
Report of the Head of Performance and Service Support is attached.

- 6. Counter Fraud & Investigation Directorate: Strategy and Work Programme for 2017/18 and Quarterly Performance Report**  
Report of the Group Counter Fraud & Investigation Manager is attached.
- 7. Internal Audit Service, Quarterly Performance Report**  
Report of the Head of Internal Audit is attached.
- 8. EY Audit Plan 2016/17**  
Report of the External Auditor is attached.
- 9. Internal Audit Service, Charter, Strategy and Audit Plan for 2017/18**  
Report of the Head of Internal Audit is attached.

***Current Information Items (standing item)***

CIPFA Better Governance Forum, Audit Committee Update, Helping Audit Committees to be Effective, Issue 22:

- Developing an Effective Annual Governance Statement
- Regular Briefing on Current Developments

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## **AUDIT COMMITTEE**

**4<sup>th</sup> JANUARY 2017**

**PRESENT:** Councillors Ladzrie (Chairman), Blackwell, Hart, May and Mrs Wass.

Head of Performance and Service Support, Craig Watts, Head of Internal Audit, Linda Everard, Fraud Investigator, Michael Dineen Financial Services Manager, Ian Stapleton, External Auditors Martina Lee (EY) and Dean Bardrick (EY), and Dan Bonner (Mazzars) were also present.

Councillors Acott, Greig, MacLean and Mumford also attended.

### **15. MEMBERS' INTERESTS**

There were no disclosures of interest.

### **16. MINUTES**

The Minutes of the meeting held on 19<sup>th</sup> September 2016 were taken as read and signed as correct.

### **17. INTERNAL AUDIT SERVICE QUARTERLY PERFORMANCE REPORT**

(The Chairman brought this item forward in the agenda).

The Committee was updated on progress made in delivering the Internal Audit Strategy for 2016/17.

The current status of work planned for the year as at 9 December 2016 was set out in Appendix A. Since the Audit Plan had been reported to the Committee in September 2016 the Housing Maintenance Contracts Review had been deleted.

Appendix B summarised the results and audit opinions given on work completed and it was noted that a minimal audit opinion had been given on the arrangements for approving planning applications.

With regard to Performance Targets, as at 9 December 2016 the service was on target to deliver sufficient work to enable the Head of Internal Audit to give an annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance arrangements. Sickness absence remained low at 0.31 days per FTE and 51% of reports were substantially complete at draft report stage.

Members discussed the themes that had emerged from the audit work on the approval of planning applications. The main area of debate was around the arrangements for Member call-in of applications for consideration and decision by the Development Control Committee. In a lively discussion Member opinion differed as to the adequacy of these arrangements particularly where the Committee made decisions on applications that were at variance with the planning officers' recommendations. The presentation of planning reasons to substantiate decisions that did not support the officers' recommendations was discussed, together with the audit recommendation that such items should be reported to the next meeting of the Committee to give sufficient time for this process to be completed adequately.

Dan Bonner, the Audit Manager for this work, explained that the audit had measured the control environment against good practice. The minimal audit opinion had been arrived at as it was considered that procedures around the Member call-in process could be tightened up.

Training for Development Control Committee Members on the implications of the audit report would be arranged prior to the next meeting of that Committee

Following discussion it was:-

**Resolved** - That the assurance provided by the audit work completed this quarter is noted.

## **18. 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.

The arrangements for business strategy and planning were adequate. There was a corporate action plan, service plans and team plans in place. Highlight reporting to corporate management team remained in place and team and service plans for 2017/18 had recently been developed by services. A detailed review of the corporate plan had commenced and was subject to review by the Policy and Scrutiny Committee.

With regard to financial planning, reporting and budgetary control robust processes were evident to provide assurance that arrangements were effective. The Council maintained a level of reserves in excess of the minimum level recommended by the Council's Chief Finance Officer and had set a balanced budget for 2016/17, with 2017/18 also expected to be balanced. Significant savings were however required for the medium term from 2018/19 onwards and the Council was undertaking a number of actions through the efficiency programme and the austerity and commercial strategy.

With regard to Performance Management it was reported that core processes were operating satisfactorily, including the production of a corporate scorecard considered quarterly by the Cabinet.

As to partnerships, assurance processes were subject to further development work. It was planned to progress a partnership strategy which would set out the key partnerships and how these linked to each other. Partnership was also being audited and progress would be monitored.

The complaints system had been subject to an internal audit and a number of recommendations had been made including the need for the procedure to refer to how complaints handled by the Council's contractors were dealt with and additional training for staff. Monitoring of the complaints database had revealed that completion of the database was still patchy in some areas and EMT had requested compliance from operational managers. Work in the area would continue to be monitored.

In response to a query from a Member about the amount of information reported to the Committee about financial savings and Member involvement in systems for improvement, the Head of Performance and Service Support advised that the Committee's role was to consider processes and assurance; the Member challenge involvement was included in the Corporate Strategy and the Medium Term Financial Forecast reported to Cabinet.

**Resolved –**

1. That the Quarterly Monitoring Report and risk register is noted.
2. That the summary of progress of the actions identified in the Annual Governance Statement is noted.

**19. COUNTER FRAUD AND INVESTIGATION DIRECTORATE PLAN 2016/17**

Michael Dineen gave an update on the progress made in delivering the Corporate Counter Fraud and Investigation Service.

The main areas of work the service had focused on to date had been Housing Tenancy Fraud, Insider Threat, Business Rate/Council Tax Fraud and Right to Buy Fraud. The service also worked closely with Internal Audit in relation to its scheduled audits and where risks and non-compliance were found collaboration had taken place to rectify this. Changes had also been made to the Housing Allocation process to strengthen and assist in the early detection of fraudulent/dishonest claims.

A copy of the Proactive Work Programme as of December 2016 was set out at Appendix 1 of the report. A copy of the Counter Fraud and Investigation Strategy for 2016/17 which set out a plan for the delivery of projects to further the anti-fraud culture across the Council was attached at Appendix 2.

In response to questions from the Committee, Mr Dineen explained that the ongoing work around housing tenancy fraud involved both scheduled and unannounced visits to Council properties to establish who was in residence and to uncover unauthorised sub-letting which was now a criminal rather than a civil offence.

Following discussion it was:-

**Resolved** – That the work being done to mitigate the risk of fraud is noted.

## **20. EY ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2016**

The Audit Committee was presented with a report by the external auditors on the Annual Audit Letter for the year ended 31 March 2016 which summarised the key issues and findings arising from the work carried out by the external auditors.

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

The Committee noted that there were no significant issues or risks to report.

**Resolved** – That the EY Annual Audit Letter for the year ended 31 March 2016 is approved.

## **21. EY AUDIT COMMITTEE PROGRESS REPORT:**

A report on the external auditor's plans for the 2016/17 Audit Plan was presented to the Committee.

**Resolved** – That the plans for delivering the 2016/17 Audit Plan are noted.

## **22. TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2017/18:**

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

The Committee was requested to consider and approve a Treasury Management and Investment Strategy for 2017/18 prior to its submission to Council.

Following consideration of the report it was:-

Audit Committee - 4<sup>th</sup> January 2017

**Resolved** – That the Treasury Management and Investment Strategy for 2017/18 is approved for onward submission to Council in February 2017 as part of the budget setting process for 2017/18.

Chairman

**AUDIT COMMITTEE**

**30 March 2017**

**Subject: EY Grant Claims and Returns Certification Report for the Year Ended 31 March 2016**

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**1. Purpose of Report**

To present the External Auditor's Grants Claim and Return Certification Report for the Year Ended 31 March 2016 to the Audit Committee.

**2. Background**

The Audit Commission issued a "Review of Arrangements for Certifying Claims and Returns" in September 2009. One of the recommendations of the report was to report annually on the results of certification work to those charged with governance to raise the profile of this work. It is mandated that this report will be produced annually by February each year to highlight errors, adjustments and qualifications arising in claims.

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

**3. Corporate Implications**

**Financial Implications**

EY act as an agent of the Public Sector Audit Appointments Limited (PSAA) in the certification of grant claims and returns work. Fees billed are based on the PSAA scale fee. Variations to the scale fee are discussed with the Head of Resources and are then required to be approved by PSAA. The total scale fee for grant claims work in 2016/17 was set at £20,935.

**Legal Implications**

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

**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**

The report includes an Action Plan to address issues identified in the report which will be monitored by officers.

#### **Recommendation**

**The Audit Committee notes the Grant Claim and Return Certification Report for the Year Ended 31 March 2016.**

#### **Background Papers**

- None

#### **Attachments**

- EY Grant Claims and Returns Certification Report

**Report Author: Kevin Suter, Executive Director, EY**

# Certification of claims and returns annual report 2015-16

Castle Point Borough Council

27 February 2017

Ernst & Young LLP



Building a better  
working world

The Members of the Audit Committee  
Castle Point Borough Council  
Kiln Road  
Thundersley, Benfleet  
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27 February 2017

Ref: EY/CPBC/15-16/Grant

Direct line: 07876 397986

Email: [ksuter@uk.ey.com](mailto:ksuter@uk.ey.com)

Dear Members

## **Certification of claims and returns annual report 2015-16 Castle Point Borough Council**

We are pleased to report on our certification work. This report summarises the results of our work on Castle Point Borough Council's 2015-16 housing benefit claim.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2015-16, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

### **Summary**

Section 1 of this report outlines the results of our 2015-16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £24,456,397. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1. Our certification work also found errors which the Council corrected. The amendments had a marginal effect on the grant due.

The Council is taking action to improve arrangements and implement the recommendations from last year. However, we found errors in these areas this year and we have therefore reiterated the two recommendations, set out in section 4.

Fees for certification work are summarised in section 2. The housing benefits subsidy claim fees for 2015-16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).



We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 23 March 2017.

Yours sincerely

**Kevin Suter**  
Executive Director  
Ernst & Young LLP  
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# 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£24,456,439
Amended	Amended – subsidy reduced by £42
Qualification letter	Yes
Fee – 2015-16	£21,801
Fee – 2014-15	£27,913

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims. We found errors and carried out extended testing in the areas outlined below.

## 1.1 Initial testing

Initial testing on a random sample of 20 cases from cell 94 rent allowances identified one case where the Authority had underpaid benefit as a result of earnings being entered incorrectly on the system. Because errors in miscalculating the claimant's earnings could result in overpayments, and because similar errors in income were reported in last year's qualification letter, an additional random sample of 40 cases was tested. The random sample was taken from a sub-population of cases with earned income and tax credits. Our testing found three further cases, where income was incorrect, which is included in section 1.2 below.

Other testing on modified scheme cases identified errors which the Council amended. These had a small net impact on the claim, reducing subsidy by £42. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

## 1.2 Extended testing

Recommendations from 2014-15	Findings in 2015-16
A number of errors were identified in relation to overpayment classification across benefit types.	<p>We carried out extended sample testing on the classification of overpayments in:</p> <ul style="list-style-type: none"> <li>Cell 65 rent rebate local authority overpayment;</li> <li>Cell 67 rent rebate eligible overpayments; and</li> <li>Cell 114 rent allowance eligible overpayments.</li> </ul> <p><b>Cell 65</b></p> <p>From a sample of 40 cases in cell 65, our testing found one case that was misclassified and should</p>

have been classified as an eligible overpayment in cell 67. We reported this error in our qualification letter and extrapolated the error across the cell population, as it had led to overpaid benefit. The value of the extrapolation was £181.10.

#### **Cell 67**

There were no misclassifications in our testing of 40 cases from cell 67.

#### **Cell 114**

From a sample of 40 cases in cell 114, our testing found two cases that were misclassified. One case should have been classified as a local authority overpayment in cell 113 and one case should have been classified as a DWP error in cell 111. We reported these errors in our qualification letter and extrapolated the errors across the cell population, as they had led to overpaid benefit. The value of the extrapolation was ££,2732.31.

A number of errors were identified in relation to income calculations and tax credit information across the benefit types.

We carried out extended sample testing on income relating to:

- non-HRA cases with earned income;
- rent rebate cases not automatically passported by DWP; and
- rent allowance cases with earned income and tax credits.

From a sample of 40 rent rebate cases which were not automatically passported by DWP, our testing found one case where income had been entered incorrectly on the system. We reported this error in our qualification letter, as it had led to underpaid benefit.

From a sample of 40 rent allowance cases with earned income and tax credits, our testing found three cases, where income was incorrect.

- ▶ Two cases did not have sufficient supporting information, one which led to underpaid benefit and the other led to overpaid benefit. We reported these errors in our qualification letter and extrapolated the overpayment error across the sub-population. The value of the extrapolation was £4,608.46.
- ▶ In the third case, we found that self-employed income had been misclassified as wages. We reported this error in our qualification letter, but this did not affect subsidy.

There were no errors in our testing of all 29 cases in non-HRA with earned income.

## 2. 2015-16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2015-16 Actual fee £	2015-16 Indicative fee £	2014-15 Actual fee £
Housing benefits subsidy claim	£21,801	£21,801	27,913

The actual fee for 2014-15 is higher than the fee for 2015-16 due to additional work required in that year following the identification of errors in the initial samples and follow-up of prior year issues.

The fee for 2015-16 is based on the scale fee determined by PSAA.



### 3. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £20,935. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015-16. Indicative fees for 2016-17 housing benefit subsidy certification work are based on final 2014-15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:  
<http://www.psaa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Resources (s151 Officer) before seeking any such variation.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own reporting accountant and this will include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

## 4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
<b>Housing benefits subsidy claim</b>				
Errors were identified in relation to overpayment classification across benefit types. The Council should issue reminders and practical examples of errors to staff as part of on-going training. Sample checks should be undertaken each quarter to ensure overpayments have been correctly classified.	Medium	Examples of overpayment classification errors identified in the 15/16 Subsidy Audit will be shared with Benefit Officers in the form of refresher training. A record of attendees will be retained.  Sample checks of overpayment classifications will be undertaken quarterly; 15 random cases, plus 15 high value cases. Evidence of these checks will be retained by the Benefits Manager.	May 2017  April 2017	Nick Bale  Nick Bale
Errors were identified in relation to income and tax credit information across the benefit types.  The Council should remind staff of the need to process information accurately and to obtain sufficient documentation to support income amounts in the claim.	Medium	Staff will be reminded regularly through Team Meetings of the need to process information accurately and obtain sufficient documentation to support income amounts in the claim. Evidence of these reminders will be retained by the Benefit Manager.	Ongoing	Nick Bale

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**Committee:                   AUDIT COMMITTEE**

**Date:                           30<sup>th</sup> March 2017**

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

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**1.     Purpose of Report**

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

**2.     Background**

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

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

**3.     Monitoring Results for Key Governance Processes**

**3.1    Community Engagement**

3.1.1   Assurance arrangements are satisfactory. Services undertake specific consultation as required and there are a number of customer satisfaction surveys. Planned consultation activities include consultation for a refreshed corporate plan which is currently subject to development in liaison with a combined Policy and Scrutiny Committee.

**3.2    Business Strategy and Planning**

3.2.1   The arrangements for business strategy and planning are adequate. There is a corporate action plan, service plans and team plans in place. Highlight reporting to corporate management team remains in operation and team and service plans for 2017/18 have been drafted by services were subject to a challenge exercise. Furthermore, the corporate plan is currently under development by a combined Policy and Scrutiny Committee.

**3.3    Financial Planning, Reporting and Budgetary Control**

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

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

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

### **3.4 Asset Management**

- 3.4.1 There are adequate routine assurance processes for Asset Management, which include bi-monthly Asset Management meetings, which are integrated into programmed meetings of the Operational Management Team. Significant Asset Management based projects are subject to the Councils project management methodology (PROMPT) and are reported to Cabinet.
- 3.4.2 A programme of annual planned repairs and maintenance is in place for corporate buildings. Funding provision has been earmarked and completion of all works is planned within the lifetime of the current medium term financial forecast.
- 3.4.3 Contracts are also in existence for statutory inspections and cyclical maintenance to corporate buildings primary installations.

### **3.5 Policy Framework**

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

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

- 3.6.1 A corporate risk register continues to be in place and is subject to monitoring by Executive Management team. Risks have been identified as part of the development of team and service planning and risks get escalated to the corporate risk register should the identified issue be considered significant. An internal audit of the risk management process has been progressed and the results of this will be reported to a future meeting of the Audit Committee. A copy of the current risk register is attached as Appendix 1 for the committee to review.

### **3.7 Business Continuity**

- 3.7.1 Satisfactory progress has been made to the business continuity arrangements in place. Impact assessments have been completed by all services and have been used to help services develop their Service Delivery Action Plans. A corporate generic business continuity plan is also in place which is refreshed biennially. A refresh of service specific business continuity plans was undertaken during the autumn and testing or, desktop exercises by individual services is scheduled to be completed during the spring of 2017.

### **3.8 Performance Management**

- 3.8.1 Core processes operate satisfactorily, including highlight reporting to Corporate Management Team and the production of a corporate scorecard which is considered quarterly by Cabinet. The last report was considered by Cabinet on the 15<sup>th</sup> March.
- 3.8.2 Control arrangements include the production of quarterly reports of performance indicators by all services for consideration by EMT. The last detailed report considered by EMT was on the 21<sup>st</sup> February.

### **3.9 Data Quality**

- 3.9.1 Arrangements are satisfactory. The service planning process includes a requirement for team managers and heads of service to sign a declaration which includes consideration of data quality and the commitment to spot checking of data.

### **3.10 Value for Money**

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

### **3.11 Procurement**

- 3.11.1 There are satisfactory arrangements in place and the assurance processes are operating appropriately. Procurement is integrated into the meetings of the Operational Management Team and assists in the implementation of corporate requirements. The Council's commissioning and Procurement Strategy and Procurement Toolkit was updated in 2016 to consider changes in legislative requirements. The Commissioning and Procurement Policy was updated in March 2016.

### **3.12 Partnerships**

- 3.12.1 Assurance processes are subject to further development work. A partnership strategy and framework is required to help clarify the arrangements currently in place and how these link to the objectives of the authority. Partnership work is also being audited and progress will be monitored.

### **3.13 Project Management**

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

### **3.14 Complaints**

- 3.14.1 Information that has been inputted into the corporate complaints database is not extensive. It is considered that this may be due in part to only requiring stage 1 complaints and above to be recorded, and not informal complaints. Operational management team have established a working group to look at the issues and set out a possible solution which may require further revisions of the complaints policy and procedure. The committee will be updated of developments at its next meeting.

### **3.15 Ethical Governance**

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

### **3.16 Officer Conduct**

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

### **3.17 Information Governance**

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

## **4. Corporate Implications**

### **a. Legal implications**

There are no direct legal implications arising from this report.

### **b. Financial implications**

There are no direct financial implications arising from this report.

### **c. Human Resource & Equality**

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

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

**d. IT and Asset Management implications**

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

**5 Links to Council's priorities and objectives**

All assurance processes and improvement work support the corporate priority of Efficient and Effective Customer Focussed Services.

**6. Timescale for implementation and risk factors**

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

**Recommendation:**

- 1. Committee are requested to consider the findings of this report as outlined in section 3 and question officers as appropriate.**

**Background Papers:** Local Code of Governance

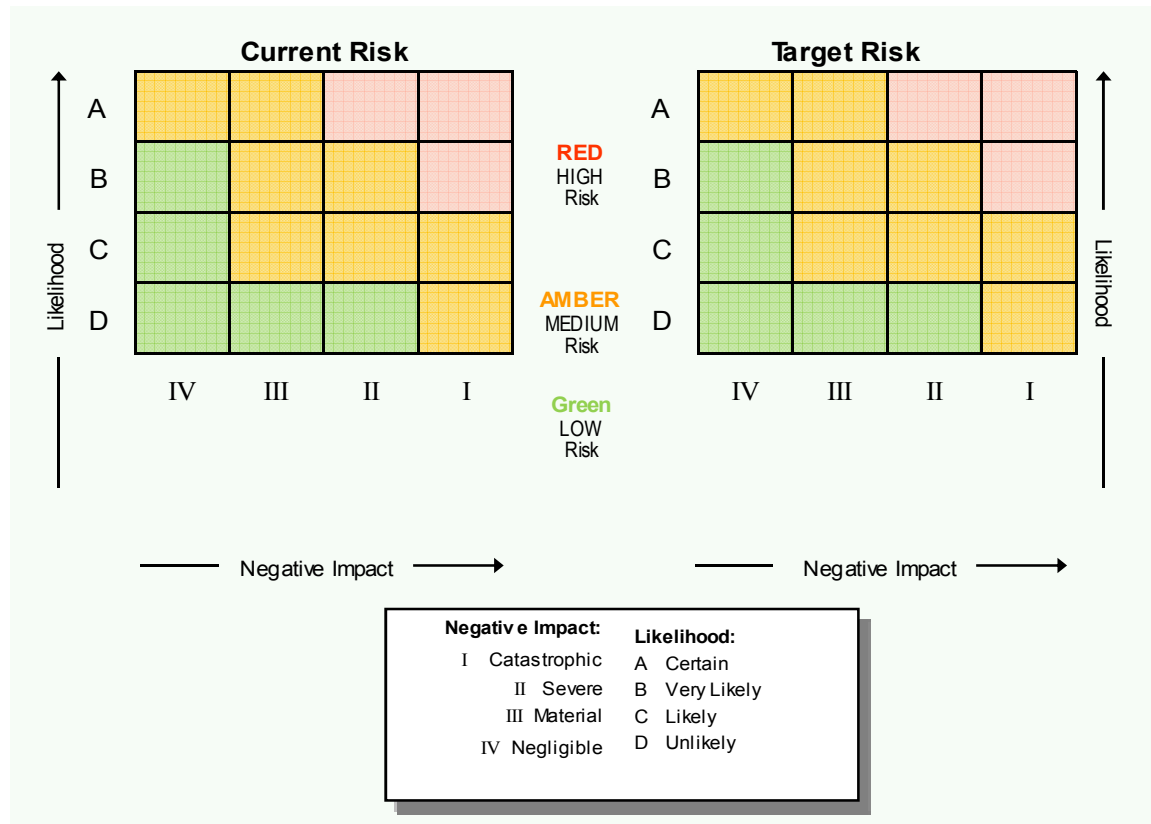
**Report Author:** Craig Watts, Head of Performance & Service Support



## Corporate Risk Register

### Risk Assessment

All risks are assessed as follows:



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

**Public Health & Wellbeing:**

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

**Current Risk**

A		X		
B				
C				
D				
	IV	III	II	I

**Target Risk**

A				
B				
C		X		
D				
	IV	III	II	I

**Summary of Current Controls:**

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

**Assurance that Controls are in Place:**

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

**Summary of Actions to further mitigate risks:**

Action	Responsibility	Date for completion
1. Internal Audit of Partnership arrangements	Head of Internal Audit	March 2017
2. Implement Action Plan	Corporate Management Team	June 2017
3. Partnership Strategy developed and agreed by Cabinet.	Corporate Management Team	September 2017

**Target Risk to be achieved by: September 2017**

**Responsibility: Corporate Management Team**

## **Transforming Our Community**

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

Current Risk				
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A			X	
B				
C				
D				
	IV	III	II	I

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

A				
B			X	
C				
D				
	IV	III	II	I

### **Summary of Current Controls:**

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

### **Assurance that Controls are in Place:**

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

### **Summary of Actions to further mitigate risks:**

Action	Responsibility	Date for completion
1. Sign developer agreement for Hadleigh Island Site in liaison with Essex County Council Departments and Private developer.	Regeneration Manager	July 2017
2. Submit planning application for Hadleigh Island Site.	Regeneration Manager	January 2018
3. Create Canvey Island 'Town Team' with public, private and voluntary sector representatives to take forward a programme of initiatives and projects to access Government Coastal Communities funds	Regeneration Manager	April 2017 (Completed)

**Target Risk to be achieved by: September 2017**

**Responsibility: Regeneration Manager / Local Plan & Regeneration Adviser**

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

**Current Risk**

A				X
B				
C				
D				
	IV	III	II	I

**Target Risk**

A				X
B				
C				
D				
	IV	III	II	I

**Summary of Current Controls:**

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

**Assurance that Controls are in Place:**

1. Local Plan work to be agreed at full Council meeting
2. Copies of reports and policies prepared by staff and consultants – e.g. SHMA
3. Minutes of meetings with members

**Summary of Actions to further mitigate risks:**

Action	Responsibility	Date for completion
1. Ensure Member meetings are provided with appropriate timely reports and information.	Head of Governance	Ongoing
2. Consider Inspector's advice regarding New Local Plan 2016.	Local Plan & Regeneration Adviser	June 2017
3. New programme for development of Local Plan work agreed with Full Council.	Local Plan & Regeneration Adviser	June 2017

**Target Risk to be achieved by: June 2017**

**Responsibility: Local Plan & Regeneration Adviser**

**Efficient & Effective Customer Focussed Services**

**Risk Description: 4. Unable to provide full range of existing services for years 2018/19 and beyond due to reductions in government grant funding.**

Current Risk				
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A			X	
B				
C				
D				
	IV	III	II	I

Target Risk				
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A				
B				
C			X	
D				
	IV	III	II	I

**Summary of Current Controls:**

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

**Assurance that Controls are in Place:**

1. Medium Term Financial Forecast agreed by Cabinet February 2017.
2. Budget agreed by Cabinet and Council in February 2017 and record of meetings.
3. Corporate Programme / Corporate Plan agreed July each year & EMT minutes.
4. Procurement Policy and notes of revisions.
5. ICT Strategy & Roadmap.
6. Directorate plan and DMT minutes demonstrating monitoring.
7. Copies of budget monitoring reports / significant variance to Cabinet included in bi-monthly Financial Update reports.

**Summary of Actions to further mitigate risks:**

Action	Responsibility	Date for completion
1. Monitoring of financial developments and forecasting any significant impact.	Head of Resources	Ongoing
2. Runnymede Pool Extension Project.	Strategic Director (Transformation and Resources)	January 2018
3. Progress Service Review Programme.	Strategic Director Transformation and Resources	March 2018

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

**Target Risk to be achieved by: March 2018**

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

**Current Risk**

A				
B			X	
C				
D				
	IV	III	II	I

**Target Risk**

A				
B				
C			X	
D				
	IV	III	II	I

**Summary of Current Controls:**

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

**Assurance that Controls are in Place:**

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

**Summary of Actions to further mitigate risks:**

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

**Target Risk to be achieved by:** Ongoing

**Responsibility:** Executive Management Team

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

**Current Risk**

A				X
B				
C				
D				
	IV	III	II	I

**Target Risk**

A				
B				
C				X
D				
	IV	III	II	I

**Summary of Current Controls:**

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

**Assurance that Controls are in Place:**

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

**Summary of Actions to further mitigate risks:**

Action	Responsibility	Date for completion
1. Review of capital programme.	Head of Performance & Service Support & Interim Head of Housing	April 2017
2. Development of Housing Asset Management Plan	Head of Performance and Service Support	September 2017
3. Review of Service Arrangements)	Head of Performance and Service Support	October 2017
4. Development of draft Housing Strategy	Head of Performance & Service Support	October 2017

**Responsibility:** Head of Performance & Service Support

**Target Risk to be achieved by:** October 2017

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

Current Risk				
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A		X		
B				
C				
D				
	IV	III	II	I

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

A				
B				
C		X		
D				
	IV	III	II	I

#### Summary of Current Controls:

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

#### Assurance that Controls are in Place:

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

#### Summary of Actions to further mitigate risks:

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

**Responsibility:** Head of Resources

**Target Risk to be achieved by:** Ongoing



**Risk Description: 8. Adequate business continuity (BC) arrangements in place that mitigate severe disruption to Council services**

**Current Risk**

A				
B				
C			X	
D				
	IV	III	II	I

**Target Risk**

A				
B				
C				
D			X	
	IV	III	II	I

**Summary of Current Controls:**

1. Overarching corporate generic BC plan
2. Service level BC plans outlining key activities
3. BC presentations/workshops provided at OMT
4. Corporate IT DR and critical software applications test
5. Critical software list - reviewed by services annually
6. Guidance provided to Managers on BC plans and sharing plans with staff
7. BC exercises and desk checks.

**Assurance that Controls are in Place:**

1. Copies of plans held on S drive (classified versions password protected).
2. Corporate BC plan available on 'Resilience Direct'
3. Record of presentations/workshops held.
4. Annual IT DR test undertaken
5. Copy of guidance and Service level and Corporate level BC testing/exercising & desk checks.
6. Records of statutory inspections and cyclical maintenance checks in corporate buildings.

**Summary of Actions to further mitigate risks:**

Action	Responsibility	Date for completion
1. Creation of overarching EP/BC policy document	Head of Resources / Facilities & Asset Manager	March 2017
2. Refresh of Service level BC plans template to capture additional information and more user friendly	Head of Resources / FM Manager	March 2017
3. Annual DR Test – Capita and Services using critical IT applications	IT Manager / Capita	March 2018
4. Refresh of Corporate Generic Business Continuity Plan	FM Manager	March 2018

**Responsibility:** Facilities & Asset Manager/IT Service Manager/Head of Resources

**Risk Description: 9. Failure to deliver key ICT improvement and enhancement projects resulting from contract operating difficulties with Capita**

**Current Risk**

A			X	
B				
C				
D				
	IV	III	II	I

**Target Risk**

A				
B				
C			X	
D				
	IV	III	II	I

**Summary of Current Controls:**

1. Contract documentation sets out responsibilities and requirements from all parties.
2. Established and agreed joint project management approach for projects with Capita.
3. Established contract management approach.

**Assurance that Controls are in Place:**

1. Contract documentation.
2. Project management methodology and board minutes setting out agreed approaches etc.
3. Contract monitoring documentation including performance reports.

**Summary of Actions to further mitigate risks:**

Action	Responsibility	Date for completion
1. Progress programme to improve working practices and enhance service with implementation of office 365 and mobile working solutions.	Strategic Director Transformation & Resources / ICT Manager	Ongoing
2. Use of third party contractors to implement project solutions should this prove to be a cost effective approach.	Head of Resources / ICT Manager	Ongoing
3. Focus on contract monitoring with Capita to clarify any issues and agree any improvements to the approach.	Head of Resources / ICT Manager	March 2018
4. Contract extension for two years	Strategic Director Transformation & Resources / ICT Manager	Complete

**Target Risk to be achieved by: March 2017**

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

**AUDIT COMMITTEE**

**30<sup>th</sup> March 2017**

**Counter Fraud & Investigation Directorate: Quarterly Performance Report and Counter Fraud Strategy for 2017/18**

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**1. Purpose of Report**

- 1.1 To update the Audit Committee on the progress made in delivering the Corporate Counter Fraud & Investigation Service at Castle Point Borough Council and provide the Counter Fraud Strategy for 2017/18

**2. Performance**

- 2.1 The Counter Fraud & Investigation Directorate (CFID) has made good progress in delivering the 2016/17 counter fraud work plan since July 2016

- 16 reports of suspected fraud have been received.
- 2 of those cases have been closed as 'no fraud'.
- 13 investigations are still being conducted.
- 1 sanction has been delivered in cases of proven fraud.
- 2 Confidential enquires are also taking place.

Training has been delivered to all High Risk areas in the council and further training has been earmarked for May this year where Senior Management will be trained on counter fraud awareness and legislation governing their particular areas.

A record has been kept of the 'pro-active' work being carried out by the directorate, with the Empty Business Property exercise well under way. The results will be delivered at the next committee meeting, where a final contractual performance report will be generated.

- 2.2 **Appendix 1** outlines the flow of cases into the Directorate so far since 1<sup>st</sup> July 2016.

**3. Fraud Risk Assessment**

- 3.1 Local authorities have followed the Audit Commissions' Fighting Fraud Locally' strategy, which sought to define minimum standards for councils to apply to ensure there was sufficient recognition of fraud in local government.
- 3.2 This strategy was reviewed in 2016 (after the demise of the Audit Commission) and was re-named 'Fighting Fraud & Corruption Locally',

developed with input from a number of bodies including the Cabinet Office, Home Office, Local Government Association and local authorities. The strategy highlights the most common fraud types faced by local government as:

- Housing Tenancy fraud
- Procurement fraud
- Insurance fraud
- Blue Badge Scheme fraud
- Revenues Fraud
- National Fraud Initiative

3.2 The CFID annual strategy has always recognised these particular threats and has undertaken proactive work to ensure our system of internal control was effective in protecting the council from fraud.

3.3 This year, specialists from the CFID will be conducting workshops across the council with all council service areas to understand and assess their individual risks from fraud and other economic crime.

3.4 A programme of questionnaires will also be distributed to staff and Managers to comply with the UK Bribery Act (UKBA) and Counter Money Laundering programme of work.

3.4 These workshops will ensure that the emerging crime threats are captured and acknowledged by the business areas, as well as identify opportunities to better protect the council with remedial action.

3.5 **Appendix 2** outlines the delivery of these workshops, as well as the scheduled annual tasks taken by the directorate in providing a consistent approach to fraud at the Council, such as assessments, policy reviews and training.

3.6 The plan is a working document. Where opportunities exist to conduct specific targeted proactive exercises on identified fraud risk areas, these opportunities will be brought back to Committee and included in the work plan.

#### **4. Corporate Implications**

##### **4.1 Contribution to Council's Aims and Priorities**

Work undertaken to reduce fraud and enhance the Council's anti-fraud and corruption culture contributes to the delivery of all its aims and priorities.

##### **4.2 Financial Implications**

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

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

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

#### 4.3 Legal Implications

The Accounts and Audit Regulations 2015 Section 3 requires that:

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

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

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

#### 4.4 People Implications:

Where fraud or corruption is proven the Council will:

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

#### 4.5 Property Implications

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity.

#### 4.6 Consultation: None

#### 4.7 Equalities Impact Assessment: None

#### 4.8 Risk Assessment

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

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

#### 4.9 Value for Money

An effective counter fraud and investigation service should save the Council money by reducing the opportunities to perpetrate fraud, detecting it promptly and applying relevant sanctions where it is proven.

#### 4.10 Community Safety Implications and Environmental Impact: None

### **Recommendations**

#### **The Audit Committee:**

- **The Audit Committee notes the performance of the Counter Fraud & Investigation Directorate to date.**
- **The Committee agrees the Counter Fraud Work Plan for April to June 2017/18.**

## **Background Papers**

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

## **Appendices**

- Appendix 1: Case Flow of Work into the Directorate
- Appendix 2: Counter Fraud Proactive Work Plan 2017/18

**Report Author: Michael Dineen, Counter Fraud & Investigation Directorate**

**Appendix 1 - Counter Fraud & Investigation Directorate**  
 Castle Point Borough Council Case Summary July '16 – March '17

	Fraud Type				
Case Status	Housing Tenancy Fraud	Council Tax	Blue Badge	Other	Total

**NB: Responsibility for investigating all Housing Benefit fraud transferred to the DWP on 2 November 2015. The Council no longer has any involvement in investigating benefit fraud.**

Castle Point Team Case Load					
Total Fraud Allegations Received (Between 01/07/2016 – 14/03/17)	5	1	1	9	16
Under Investigation	3	1	1	8	13
Closed	1	0	0	1	2
For tasking & coordination	1	0	0	0	1
Confidential Enquiry *not logged on system	0	0	0	0	0

Outcomes Achieved					
Formal Caution	0	0	0	0	0
Prosecution Action	0	0	0	1	1
Tenancy Property Recovered	0	N/A	N/A	N/A	0
Right to Buy Closed	0	N/A	N/A	N/A	0
Blue Badge Recovered	N/A	N/A	0	N/A	0
Warning Issued	0	0	0	0	0
Disciplinary Action	0	N/A	0	0	0
No Further Action	0	0	0	2	2

**Value of Proven Fraud re Closed Investigations**

Prosecution	Formal Caution	Other Fraud Savings <sup>1</sup>	Properties Recovered
£30,000	£0	£0	0
Right to Buy Fraud Savings <sup>1</sup>	Tenancy Fraud Savings <sup>1</sup>	Money Recovered <sup>2</sup>	TOTAL
£0	0	£0	£30,000

<sup>1</sup> Money saved by the Council through preventative action by the Counter Fraud & Investigation Directorate

<sup>2</sup> Money recovered from criminals by the Counter Fraud & Investigation Directorate

## Appendix 2: Proactive Work Programme for Year 2017/18

Risk Area	Tasks	Planned for Completion	Current Status
<b>Council-wide</b>	Plan Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> <li>• Resources</li> <li>• Housing</li> <li>• Planning and Regeneration</li> </ul>	March 2017	Meetings to be set up with heads of service so that workshops can be planned with appropriate staff members.
<b>Council-wide</b>	Conduct Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> <li>• Resources</li> <li>• Housing</li> <li>• Planning and Regeneration</li> </ul>	April 2017 – May 2017	Awaiting workshop set up.
<b>Council-wide</b>	UK Bribery Act (UKBA) Compliance Review. A questionnaire will be distributed to all Managers to ensure UKBA compliance.	April 2017	The questionnaire is written and is being installed into an online portal for distribution to the Managers in April.
<b>Council-wide</b>	Counter Money Laundering (CML) Compliance Review. A questionnaire will be distributed to all staff to ensure CML compliance.	April 2017	The questionnaire is written and is being installed into an online portal for distribution to staff in April.
<b>Council-wide</b>	Process the results from the Fraud Risk Assessment workshops & produce report and action plan	June 2017	Awaiting workshops.
<b>National Fraud Initiative, Data Matching Exercise</b>	Investigate high level recommended data matches until the 2017 exercise is complete.	Will report progress made on quarterly basis	Results being assessed. Regular performance reporting will commence in June 2017.



## Appendix 2: Proactive Work Programme for Year 2017/18

<b>Council-wide</b>	Plan Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> <li>• Resources</li> <li>• Housing</li> <li>• Planning and Regeneration</li> </ul>	March 2017	Meetings to be set up with heads of service so that workshops can be planned with appropriate staff members.
<b>Council-wide</b>	Conduct Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> <li>• Resources</li> <li>• Housing</li> <li>• Planning and Regeneration</li> </ul>	April 2017 – May 2017	Awaiting workshop set up.

NOTE: The current contract of service runs 01/07/2016-01/07/2017. This work plan is for an envisaged ongoing service at Castle Point Borough Council. The work plan put before the committee in September 2016 will be continued to be worked against until July 2017.

**AUDIT COMMITTEE**

**30<sup>th</sup> March 2017**

**Subject: Internal Audit Service, Quarterly Performance Report**

---

**1. Purpose of Report**

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

**2. Internal Audit Plan Status**

**Appendix A** sets out the current status of the audit work planned for the year as at 3rd March 2017. Three final amendments have been made to the Audit Plan this year, which involve:

- postponing the work planned to revisit the Homelessness report due to significant pressures currently being experienced by the service. This will be completed in 2017/18
- moving the Accounts Payable job into the 2017/18 Audit Plan as work on it has not commenced yet
- adding a further piece of support work focused on:
  - updating the Risk Management Policy, Strategy and Toolkit
  - training staff in the refreshed arrangements, specifically covering how to apply the concepts of risk appetite and tolerance in practice.

Time will also be allocated in the 2017/18 Audit Plan to complete this last piece of work. There has been some slippage in delivery this quarter due to some unforeseen, additional time required to prepare for and undertake the interviews for the auditor and audit manager posts.

**3. Audit Opinions and Themes**

**Appendix B** summarises the audit opinions from each audit completed during the year. This makes it easier to get an overall view of the strengths and weaknesses of the aspects of the Council's control environment audited this year.

It should be noted that the assurance reported when audits are revisited, relates to the degree to which the service has dealt with the actions agreed. It does not relate how well the system, service or process is operating as a whole.

**Appendix C** summarises the results of the audit work completed since the last report to the Audit Committee in January 2017.

Since the last report to Audit Committee:

- a minimal assurance audit opinion has been given with regards to Working with Partners, Strategic Partnership Framework, as responsibility for this function needs to be assigned to someone

- none of the actions in the Regeneration Partnership report have been implemented nor revised dates agreed, as a decision is required about the future of the partnership
- limited progress has been made to deal with the outstanding issues contained in the Housing Allocations report, although the new Interim Head of Housing and Tenancy Services Manager are proactively taking this forward
- implementation dates have not been agreed for two key recommendations in the Licensing Revisited report, as service management does not feel it has the capacity to deal with them.

The issues arising from all of these reports except for Housing Allocations are being referred to Executive Management Team for further discussion and a decision, on the way forward.

#### 4. **Performance Targets**

With regard to the team's performance indicators:

- sickness absence remains low at 1.14 days per FTE compared to a target of under five days per FTE
- 74% of reports are at draft report stage (i.e. the work is substantially complete).

##### *Stakeholder surveys*

The service has revised its approach to obtaining feedback from stakeholders so it focuses on obtaining evidence of compliance with some of the less tangible elements of the Standards.

Surveys are conducted using a standard template comprising of 10 questions. The maximum possible score is 20 which equates to two points for each 'yes' answer. Otherwise it is one for 'partly' and zero for 'no'. 'Not applicable' responses are disregarded.

Surveys are undertaken once a block of work has been delivered, but are not done for every audit completed. Participants are selected so that as many service areas as possible are covered throughout the year. Different grades of staff are also selected as part of the sample.

Two surveys have been carried out to date in 2016/17, the results of which are summarised at **Appendix D**. The average score for these was 97%. The only issue that arose was that a service could have been kept better informed about a change in auditor doing the work, which resulted in a slight loss of continuity.

Additional surveys will be undertaken in due course, covering the remaining audits.

**Appendix E** then summarises the:

- actions Internal Audit has identified it needs to take in order to address the issues arising from the surveys undertaken so far, at all its clients (the Council, Southend-on-Sea Borough Council and South Essex Homes)
- current status of each action, with expected implementation dates where they are outstanding and apply to the Council.

This includes the actions required to improve the arrangements for monitoring the delivery of work completed by contractors. This should address the issue raised in the surveys completed at the Council.

### *Resourcing*

Since the last report to the Audit Committee, an Audit Manager and Auditor have been appointed although they won't join the team until July and April, respectively. This will:

- significantly strengthen the overall management capacity of the service
- help address some of the service delivery issues discussed previously.

Another recruitment exercise is then planned for late spring / early summer, once the new recruits have been assimilated into the team, thus further reducing the service's reliance of external contractors.

## **5. Contract management**

As the Audit Committee is aware, the combined Internal Audit Service and Counter Fraud & Investigation (CF&I) Directorate provide services for Castle Point Borough Council (the Council), Southend-on-Sea Borough Council (SBC) and South Essex Homes. The CF&I service is provided by Thurrock Council, with whom the Council and SBC have a shared service arrangement. Additionally, there is a shared service for Internal Audit with the Council, SBC and South Essex Homes. A Shared Service Board is now being created to:

- support these relationships
- provide a forum for strategic issues to be discussed by all partners involved, regarding the:
  - development and operation of these services
  - consistent and efficient provision of these services
  - potential to further develop these services.

SBC's Director of Finance & Resources is in the process of arranging the first meeting of the Board.

## **6. Corporate Implications**

### **Financial Implications**

The Audit Plan will be delivered within the approved budget.

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

### **Legal Implications**

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

## **Human Resources and Equality Implications**

### **Human Resources**

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

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

### **Equality Implications**

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

### **IT and Asset Management Implications**

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

## **7. Links to Council's Aims, Targets and Objectives**

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

## **8. Timescale for Implementation**

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

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

## **9. Risk Factors**

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

The main risks the team continues to manage are the:

- loss of in-house staff and the ability of the service to replace this resource at all or in a timely manner
- lack of management capacity to support and process work in a timely manner and provide strategic leadership to the team
- possibility that the external supplier won't deliver contracted out work within the required deadlines to the expected quality standards
- need to maintain relationships with clients / partners until the service has been rebuilt.

**Recommendations:**

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

**Background Papers**

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

**Appendices**

Appendix A Internal Audit Plan 2016/17

Appendix B Assurance Summary 2016/17

Appendix C Audit Opinions and Themes

1 • Satisfactory Assurance

2 • Partial Assurance

3 • Minimal Assurance

4 • Audits Revisited

Appendix D Stakeholder Surveys, Compliance with Professional Standards

Appendix E Stakeholder Surveys Improvement Plan: Status report

**Report Author: Linda Everard, Head of Internal Audit**

## Appendix A: Internal Audit Plan 2016/17

Who (see key)	Council activity and focus of audit work	Fraud risk	Status as at 3rd March 2017
<b>Managing the Business</b>			
<b>All Aims</b>			
HoIA / All	<b>Risk Management</b> To assess whether departments are accurately identifying and taking appropriate action to manage risks effectively.	No	Report issued March 2017.
TBD / L&SC All	<b>Working With Partners</b> To assess whether for a number of partnerships there are robust governance arrangements.	No	Report issued February 2017.
<i>Implementing Action Plans</i>			
CG & L / G All	<b>Complaints, Compliments and Comments</b> For the focus of the work, see below* <i>Original report issued April 2016</i>	No	Fieldwork substantially complete.
Res / All	<b>Procurement</b> For the focus of the work, see below* <i>Original report issued December 2015</i>	Yes	Report issued December 2016.
<b>Managing Service Delivery Risks</b>			
<b>Aim: Public Health and Wellbeing</b>			
Env	<b>Leisure Services</b> To assess whether the bookings, memberships and other income generating processes are fit for purpose.	Yes	Draft report with Head of Internal Audit for review.
<b>Aim: Environment</b>			
<i>Implementing Action Plans</i>			
Env	<b>Waste Collection Service</b> For the focus of the work, see below* <i>Original report issued December 2015</i>	Yes	Report issued February 2017.

## Appendix A: Internal Audit Plan 2016/17

Who (see key)	Council activity and focus of audit work	Fraud risk	Status as at 3rd March 2017
<b>Aim: Transforming Our Community</b>			
<i>Implementing Action Plans</i>			
LP & RA	<b>Regeneration Partnership</b> For the focus of the work, see below* <i>Original report issued November 2015</i>	No	<b>Report issued February 2017.</b>
<b>Aim: Efficient and Effective Customer Focused Services</b>			
Res	<b>Accounts Payable</b> To assess whether the Accounts Payable system operates efficiently and effectively.	Yes	<b>This work has been moved into 2017/18 – see summary report.</b>
Res	<b>Cyber Security</b> To assess the effectiveness of arrangements in place to protect the Council from cyber-attacks and other online vulnerabilities.	Yes	<b>Draft report with Head of Internal Audit for review.</b>
R&B	<b>Debt Collection</b> To assess whether there are robust processes in place to ensure all debt due is cost effectively collected.	Yes	Report issued December 2016.
H	<b>Health and Safety</b> To assess whether actions are addressed when issues arise from health and safety inspections undertaken by South Essex Homes.	No	<b>Draft report with Head of Internal Audit for review.</b>
H	<b>Housing Maintenance Contracts</b> To assess whether a contract is being effectively managed.	Yes	Deleted. This risk will be reassessed in 2017/18.
Res	<b>Income Collection</b> For a sample of income streams, assess whether all income due is raised in accordance Council policies / fees and charges framework.	Yes	Work in progress.
CG & L / G	<b>Leases and Licences</b> To assess whether lease and license records are complete, reviewed in a timely manner and all income due is collected.	Yes	<b>Work in progress.</b>



## Appendix A: Internal Audit Plan 2016/17

Who (see key)	Council activity and focus of audit work	Fraud risk	Status as at 3rd March 2017
P	<b>Planning</b> To assess whether decisions on planning applications are being made at the most appropriate level, in line with Council Policy as well as statutory and recognised good practice standards.	Yes	Report issued December 2016.
<i>Implementing Action Plans</i>			
Res	<b>IT Disaster Recovery</b> 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 and follow-up on whether the actions agreed have been implemented.		Report issued December 2016.
H	<b>Housing Allocations</b> For the focus of the work, see below* <i>Original report issued July 2015</i>	Yes	<b>Report issued March 2017.</b>
H	<b>Homelessness</b> For the focus of the work, see below* <i>Original report issued June 2015</i>	Yes	Terms of Reference issued. <b>This work has been postponed to 2017/18 – see summary report.</b>
L&SC	<b>Licensing</b> For the focus of the work, see below* <i>Original report issued November 2013, 1<sup>st</sup> follow up June 2015</i>	Yes	<b>Report issued February 2017.</b>
H	<b>Residential Leaseholder Charging</b> For the focus of the work, see below* <i>Original report issued September 2015</i>	Yes	Report issued September 2016.
H	<b>Right to Buy</b> For the focus of the work, see below* <i>Original report issued December 2015</i>	Yes	Report issued December 2016.
L&SC	<b>Safeguarding Arrangements</b> For the focus of the work, see below* <i>Original report issued</i>	No	<b>Report issued February 2017.</b>

## Appendix A: Internal Audit Plan 2016/17

Who (see key)	Council activity and focus of audit work	Fraud risk	Status as at 3rd March 2017
<b>Key Financial Systems</b>			
<b>Aim: Efficient and Effective Customer Focused Services</b>			
To assess whether the key controls in each of the key financial systems effectively prevent or detect material errors on a timely basis to ensure that the financial statements are not materially incorrect.			
Outstanding financial systems reports from 2015/16 delivered in 2016/17			
R&B	Council Tax	Yes	Report issued Aug 2016.
R&B	Business Rates	Yes	Report issued Aug 2016.
R&B	Housing Benefits	Yes	Report issued Aug 2016.
R&B	Accounts Receivable	Yes	Report issued Sept 2016.
R&B	Housing Rents	Yes	Report issued Sept 2016.
Res	Accounts Payable	Yes	Report issued Sept 2016.
Work planned to support 2016/17 Statement of Accounts			
Res	Accounts Payable	Yes	Work in progress
R&B	Accounts Receivable	Yes	Work in progress
R&B	Business Rates	Yes	<b>Report issued March 2017.</b>
R&B	Council Tax	Yes	<b>Report issued March 2017.</b>
Res	General Ledger	No	Work in progress
R&B	Housing Benefit	Yes	Work in progress
R&B	Housing Rents	Yes	Work in progress
R&B	Income Receipting and Banking	Yes	<b>Report issued March 2017.</b>
Res	Payroll	Yes	<b>Report issued March 2017.</b>
Res	Treasury Management	Yes	Not auditing as assurance going to be carried forward this year.

## Appendix A: Internal Audit Plan 2016/17

Who (see key)	Council activity and focus of audit work	Fraud risk	Status as at 3rd March 2017
<b>Grant Claims</b>			
Env	Disabled Facilities Capital Grant Determination (New audit)	Yes	Unqualified audit opinion given.
<b>Advice and Support Work</b>			
Res	<b>Allowances</b> To establish whether services are consistently applying the Council's Allowances Policy.	Yes	Internal management report produced and issued, August 2016.
R&B	<b>Revenues and Benefits Restructure</b> To provide critical friend support as systems are being re-designed.	Yes	First interim memo issued August 2016. <b>More reviews will be included in the 2017/18 Audit Plan.</b>
HoIA	<b>Risk Management (New job)</b> <b>To update the Policy, Strategy and Toolkit.</b> <b>To provide workshops with staff on how to apply the refreshed arrangements, specifically regarding risk appetite and tolerance.</b>	No	<b>Work will commence mid March 2017 and will be carried forward into 2017/18 if necessary.</b>

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

### Key:

- CG&L/G: Civic Governance & Law / Governance
- Env: Environment Directorate
- HoIA: Head of Internal Audit
- H: Housing Directorate
- L&SC: Licensing & Safer Communities
- LP&RA: Local Plan & Regeneration Adviser
- P: Transformation Manager (Planning)
- Res: Resources Directorate
- R&B: Revenues and Benefits Transformation Manager
- TBD: To be determined

## Appendix B: Assurance Summary 2016/17

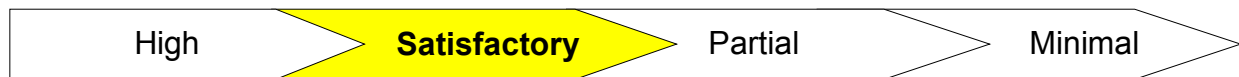
Audit Plan Areas	Level of Assurance			
	High	Satisfactory	Partial	Minimal
<b>Managing the Business</b>		<ul style="list-style-type: none"> <li>• Risk Management Corporate and Service Plan Risks (Mar 2017)</li> <li>• Working with Partners, Partnerships Reviewed (Feb 2017)</li> </ul>		<ul style="list-style-type: none"> <li>• Working with Partners, Strategic Partnership Framework (Feb 2017)</li> </ul>
<b>Managing Service Delivery Risks</b>		<ul style="list-style-type: none"> <li>• Debt Collection (Dec 2016)</li> </ul>		<ul style="list-style-type: none"> <li>• Approval of Planning Applications (Dec 2016)</li> </ul>
<b>Key Financial Systems</b>		<ul style="list-style-type: none"> <li>• Business Rates (Mar 2017)</li> <li>• Income Receipting and Banking (Mar 2017)</li> <li>• Payroll (Mar 2017)</li> </ul>	<ul style="list-style-type: none"> <li>• Council Tax (Mar 2017)</li> </ul>	

## Appendix B: Assurance Summary 2016/17

Audit Revisited	Action Implementation Level			
	High	Satisfactory	Partial	Minimal
Implementing action plans	<ul style="list-style-type: none"> <li>IT Disaster Recovery (Dec 2016)</li> </ul>	<ul style="list-style-type: none"> <li>Procurement (Dec 2016)</li> <li>Waste Collection (Feb 2017)</li> <li>Residential Leaseholder Charging (Sept 2016)</li> </ul>	<ul style="list-style-type: none"> <li>Licensing (Feb 2017)</li> <li>Right to Buy (Dec 2016)</li> <li>Safeguarding Arrangements (Feb 2017)</li> </ul>	<ul style="list-style-type: none"> <li>Regeneration Partnership (Feb 2017)</li> <li>Housing Allocations (Mar 2017)</li> </ul>

## Appendix C1: Audit Opinion and Themes

### Assurance



### Risk Management

#### Objective

To assess whether risks, controls and assurance within risk registers are properly understood and consistently defined in accordance with the Council's Risk Management Strategy and Toolkit.

#### Themes

Overall, the understanding of risk at both the corporate and service levels is sound and the governance of the organisation ensures that risk management is operating in a way that meets its needs.

Attendance at Departmental Management Team (DMT) meetings provided far greater insight into the quality of risk management activity than the desktop review of the risks identified within the service planning process. This is not unusual and is probably due to the fact that:

- risks are captured at the point the service plan is agreed and then updated monthly following DMT meetings, when some highlight reports are produced, to reflect some changes to the services' risk profile
- neither document consistently captures throughout the year, all the changes to each service's risk profile as discussed at all but one of the DMTs.

Therefore overall, risk maturity is greater than the documentation alone indicates. If the Council wants to further embed risk management, it will struggle to do so without ensuring a discipline and consistency around capturing accurately, the risk management activity across the organisation. The key now is to consistently capture the output from all the good quality discussions being had about managing risk, within the risk registers and performance reports.

The Council has a light touch approach to risk management, which is practical given the size of the authority. Nevertheless, there remains, within DMTs, a perception of bureaucracy relating to the risk management procedures.

The approved Risk Management Policy and Strategy requires simplifying and the Toolkit (Framework), refreshing. Although the basic content is correct, it no longer fully represents the approach embedded in the organisation, which has evolved over time to adapt to business needs.

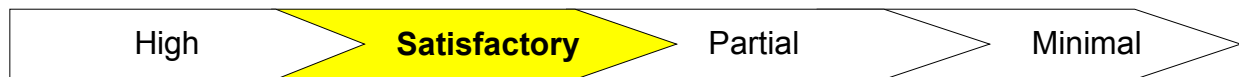
All DMTs had a standing item for risk management on the agenda. The risk conversations had by management teams who used the standard reporting template to provide manager's updates, were more risk focused than those whose attendees just provided a verbal update.

A number of departments had adopted risks also included in the Corporate Risk Register. This is not uncommon practice within risk management frameworks. However, in some circumstances, it is important that there is clarity about:

- who owns the corporate level risk

## Appendix C1: Audit Opinion and Themes

### Assurance



- the need for services to assess the potential impact of the corporate level risk on service delivery in their individual areas
- how risk mitigation assurance is provided by risk owners at both these levels and reported upon to the appropriate level of management.

It is likely that, due to the size and structure at the Council, the other governance mechanisms working around the risk management function enable the organisation to identify and deal with risks:

- successfully outside of the formal risk processes
- without the duplication of effort that larger organisations would inevitably face.

The majority of risks on all service plan risk registers were rated as 'certain' in terms of likelihood which equates to an 85% plus chance of it materialising. Many of these risks had a high impact rating as well. However, the future planned mitigating actions were often dated later than or at the end of the financial year. This means the organisation is exposed to this risk for a full financial year. It is important when reporting upon this, that the appetite in relation to these risks is consistent between services and senior management.

A healthy appetite for risk was observed within management teams, based on discussions about new and innovative ways of meeting objectives. The officers observed are experienced and know the Council well, which helps to build confidence when analysing risk.

There was not a significant variation of risk appetite noted between management teams. Due to the size of the organisation, it is likely to be its tolerance for financial loss that will limit the organisations risk appetite. It would be valuable for the organisation to explore and communicate this formally, especially as:

- resources are becoming increasing finite
- the need to maximise opportunity risk will be more prevalent for all service areas in future.

Number of actions agreed: 3

### Working with Partners: Partnerships Reviewed

#### Objectives

To assess whether there is a robust strategic approach to partnership working with appropriate governance arrangements in place.

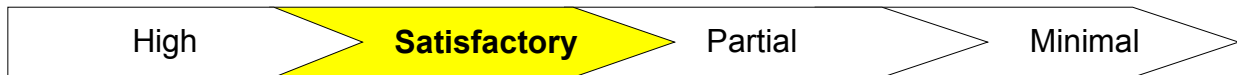
To scope out the key partnership arrangements the Council has in place.

#### Background

The themes arising from the Strategic Partnership Framework section of this audit are reported upon in **Appendix C2**. This element of the work considered whether the Health and Wellbeing Board (H&WB) and Community Safety Partnership (CSP) had appropriate informal arrangements in place to manage these partnerships.

## Appendix C1: Audit Opinion and Themes

### Assurance



The Castle Point Regeneration Partnership has been subject to a separate follow up audit, refer **Appendix C3**.

### Themes

On examining the governance arrangements and Terms of Reference (ToR) for the H&WB, CSP and their sub-groups, it was noted that:

- most ToRs clearly set out what the partnership was to deliver and its membership
- the Anti-Social Behaviour Group (ASB) ToR required details of the specific actions it is charged with delivering
- some should be reviewed more regularly (e.g. annually)
- reporting arrangements between the partnership and relevant other parties, were generally defined satisfactorily.

The Local Strategic Partnership (LSP) had an agreed Community Strategy for 2015-17 which was short in detail but provided a basis by which the partnerships within the LSP could set their respective priorities, annually. The statutory partnerships' 2015/16 priorities, complemented those outlined within the Council's Corporate Plan. The CSP and H&WB had developed annual plans which:

- contained actions required, timescales and measures of success, which were sometimes unnecessarily vague in determining what "success" looked like
- were then monitored by both the partnerships and LSP through highlight reports.

However, wherever possible, outcomes should be SMART<sup>1</sup>. This would greatly enhance both the work of partnerships and the ability to both monitor and measure their effectiveness.

Some of the partnership sites on the internet needed updating and the CSP's Partnership Plan needed to be uploaded.

Number of actions agreed: 2

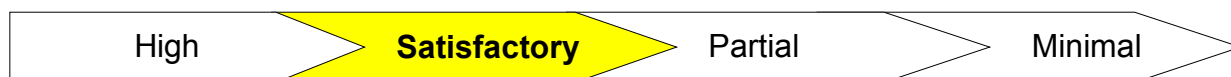
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<sup>1</sup> Specific, Measurable, Achievable, Realistic, Time-bound



## Appendix C1: Audit Opinion and Themes

### Assurance



### Key Financial Systems

#### Objective

To assess whether the key controls in the significant financial 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

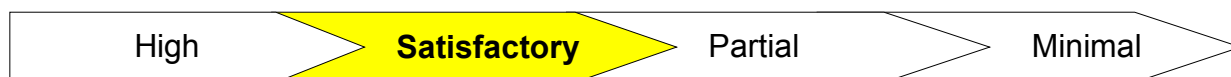
The audit evaluated the adequacy and effectiveness of the design and operation of the key controls listed in the table below, which also shows the assessed strength of each control.

#### Business Rates

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

## Appendix C1: Audit Opinion and Themes

### Assurance



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

### Issues for both Business Rates and Council Tax (see Partial Assurance C2) systems

The monthly reconciliations of CIVICA (the customer level record keeping system) to E-FIN (the financial control and reporting system), for both Business Rates and Council Tax have not fully reconciled every month, throughout 2015/16 and 2016/17. The difference has varied month to month and is cumulative for the financial year. The business is actively trying to balance these reconciliations. A monthly review meeting is being held between Revenues and the Financial Services Unit, to progress this. The daily reconciliation between the bank account and E-FIN, balances.

It was noted that the amounts transferred to rectify mis-posts between the Business Rate and Council Tax systems and Housing Benefits Overpayment, did not always correspond. This would normally be picked up as part of the reconciliation process. During the audit, the transfer errors were rectified.

Independent checks are included in the process for making in-year adjustments to Business Rates and Council Tax. However, these have not taken place as planned during the year. As part of the restructure of the Revenues team, responsibility for undertaking these checks is to be moved to two Performance Officers once these roles have been established.

### Issues for Business Rates

New applications for Small Business Rate Relief (SBRR) and other Business Rate discounts are subject to a number of internet searches but no evidence is kept of the searches undertaken.

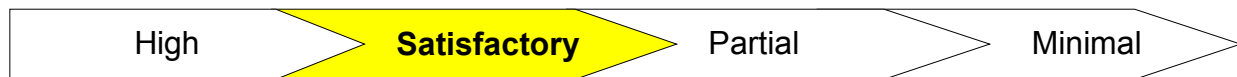
Number of actions agreed for both systems: 6

### Income Receipting and Banking

Key controls audited	Strength of control
<ul style="list-style-type: none"> <li>Information from originating payment systems is accurate, complete and transferred to the cash receipting system in a timely manner.</li> </ul>	<b>Partial</b>
<ul style="list-style-type: none"> <li>Payments by CHAPS are necessary, authorised and supported by appropriate documentation to confirm their validity.</li> </ul>	<b>High</b>

## Appendix C1: Audit Opinion and Themes

### Assurance



Key controls audited	Strength of control
<ul style="list-style-type: none"> <li>Direct Debits are: <ul style="list-style-type: none"> <li>authorised properly and supported by appropriate evidence to confirm their necessity and validity when they are set up</li> <li>regularly reviewed to confirm their ongoing necessity.</li> </ul> </li> </ul>	High
<ul style="list-style-type: none"> <li>Reconciliations between the Income Receipting and other key financial systems are complete, accurate and timely.</li> </ul> <p><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></p>	High
<ul style="list-style-type: none"> <li>Staff access to, and permissions within, the online banking facility are restricted, according to assigned roles and responsibilities.</li> </ul>	High
<ul style="list-style-type: none"> <li>Previous audit recommendations have been implemented properly, in a timely manner.</li> </ul>	High

It is estimated that the total value of cheques received in the post, by the Council, in a 12 month period, is in the region of £1.5m compared to total income received of £10.1m. Until the cheques are handed over to the Finance Services Unit, they are under sole control of one officer, not logged or signed for on change of procession.

It is understood that there are plans to introduce CCTV into the area where the post is opened. However, there is still a need for better recording of cheques details, when they are received and then passed onto other departments.

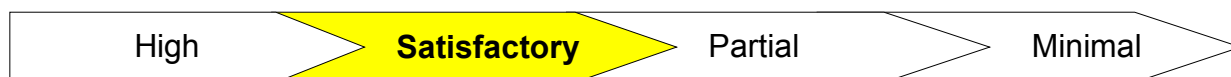
Number of actions agreed: 1

### Payroll

	Strength of control
<ul style="list-style-type: none"> <li>Reconciliations between Payroll and HR systems are complete, accurate and timely.</li> </ul>	Partial
<ul style="list-style-type: none"> <li>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.</li> </ul>	High

## Appendix C1: Audit Opinion and Themes

### Assurance



Key controls audited	Strength of control
<ul style="list-style-type: none"> <li>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.</li> </ul>	High
<ul style="list-style-type: none"> <li>BACS payment runs are complete, accurate, and appropriately authorised.</li> </ul>	High
<ul style="list-style-type: none"> <li>Overtime payments made to staff are accurate, properly authorised and supported by appropriate evidence to confirm their validity.</li> </ul>	Minimal
<ul style="list-style-type: none"> <li>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.</li> </ul>	High
<ul style="list-style-type: none"> <li>Reconciliations between the Payroll and General Ledger systems are complete, accurate and timely.</li> </ul>	High
<ul style="list-style-type: none"> <li>Staff access to, and permissions within, the Payroll system are restricted, according to assigned roles and responsibilities (including those working for external providers).</li> </ul>	High
<ul style="list-style-type: none"> <li>Previous audit recommendations have been implemented properly, in a timely manner.</li> </ul>	Partial

HR and payroll records need to be regularly reconciled to ensure the details in both systems are complete and accurate.

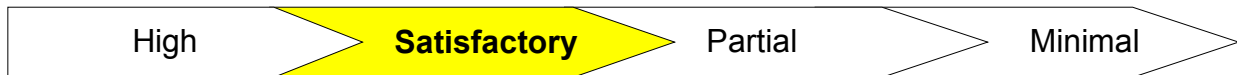
Overtime payments are still not consistently being completed or authorised in line with the requirements of the Staff Handbook. The overtime claims form was updated following the introduction of a new process for claiming Standby and Callout allowances in February 2017. However, it still does not cover all the necessary aspects of the Overtime Policy.

The form used to claim expenses needs to be updated as does the supporting guidance on what can be claimed.

As reported previously, three officers have the same user profile and password to access the FileZilla system, which is used to provide Rochford District Council with details of changes to payroll data. This is an IT software not Council issue.

## Appendix C1: Audit Opinion and Themes

### Assurance



To compensative for this, the Financial Services Manager manually checks payroll data both before and after the payroll run. This approach is satisfactory, within the context of giving an audit opinion on whether this information can be relied upon to produce the Council's Statement of Accounts.

Number of actions agreed: 3

## Appendix C2: Audit Opinion and Themes

### Assurance



### Key Financial Systems

#### Objective

To assess whether the key controls in the significant financial 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.

#### Council Tax

Key controls audited	Strength of control
<ul style="list-style-type: none"><li>The list of properties in the Council Tax system and the Local Land and Property Gazetteer is complete, accurate and regularly reconciled to the Valuation Office Agency valuations.</li></ul>	<b>Satisfactory</b>
<ul style="list-style-type: none"><li>The total amount of Council Tax to be collected from all properties is set up accurately, on a timely basis.</li></ul>	<b>High</b>
<ul style="list-style-type: none"><li>Discounts, disregards, exemptions and reliefs are accurately set up, on a timely basis.</li></ul>	<b>Partial</b>
<ul style="list-style-type: none"><li>In-year adjustments to Council Tax accounts are accurate, applied promptly and supported by appropriate evidence to confirm their validity (i.e. change of occupancy, addition and removal of properties).</li></ul>	<b>Partial</b>
<ul style="list-style-type: none"><li>Correct direct debits are raised and payments received are accurate, complete and allocated to the correct Council Tax account, in a timely manner.</li></ul>	<b>High</b>
<ul style="list-style-type: none"><li>Reconciliations between the Council Tax and General Ledger systems are complete, accurate and timely.</li></ul>	<b>Partial</b>
<ul style="list-style-type: none"><li>Staff access to, and permissions within, the Council Tax system are restricted, according to assigned roles and responsibilities.</li></ul>	<b>Satisfactory</b>
<ul style="list-style-type: none"><li>Previous audit recommendations have been implemented properly, in a timely manner.</li></ul>	<b>Partial</b>

## Appendix C2: Audit Opinion and Themes

### Assurance



**Issues for both Business Rates and Council Tax (see Satisfactory Assurance C1) systems**

#### Issues for Council Tax

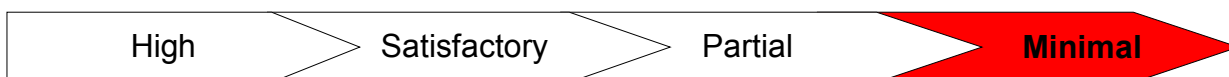
The Council has not used any data matching service since June 2015, to validate Single Person Discount (SPD) claims, as a county wide service is being developed. As at March 2017, there is still no firm implementation date for this. As a result, the indications are that the Council will have lost income from inappropriately claimed SPD.

Therefore, the Council needs to renew its licence with Datatank or similar company until the new system has been properly tested, signed off by users and is live.

Number of actions agreed for both Business Rates (See Satisfactory Assurance C1) and Council Tax systems: 6

## Appendix C3: Opinion and Themes

### Assurance



### Working with Partners, Strategic Partnership Framework

#### Objective

To assess whether there is a robust strategic approach to partnership working with appropriate governance arrangements in place.

To scope out the key partnership arrangements the Council has in place.

#### Themes

There was an action in the 2015/16 Annual Governance Statement Action Plan to "*develop a partnership framework and associated strategy*". This work was assigned to the Head of Regeneration and Neighbourhoods and has yet to be completed. He retired from this role in December 2016. The Council no longer has a Head of Partnerships and Safer Places.

Therefore, accountability needs to be assigned for designing, maintaining and reporting upon the application of a proportionate but good practice partnership governance framework. Specifically, the accountable officer once identified, should:

- develop the partnership framework and associated strategy
- attend the Good Governance Group and Operational Management Team to contribute to their work and highlight partnerships matters that need to be brought to service managers attention
- report to the various levels of management and the Audit Committee on the Strategy's delivery.

As part of this work, the characteristics of a "partnership" need to be established and a definitive list of them compiled and then maintained. This will involve conducting a full identification and analysis exercise of:

- the partnerships the Council has entered into
- how they contribute to the delivery of its overall aims and objectives
- the overall resource commitment they entail and whether, the benefits justify the investment.

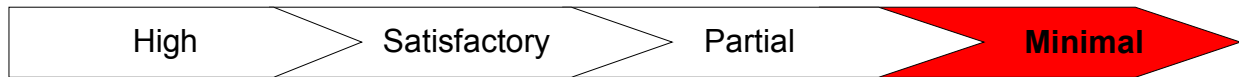
The Local Strategic Partnership (LSP) has continued as an oversight mechanism for statutory partnerships, even though there is no longer a statutory requirement to have one. However, action is required to:

- update its Accountability, Governance and Performance Management Framework
- explore establishing a new strategic partnership framework that maintains oversight of all partnerships considered strategically important to the Council
- clarify the reporting requirements for partnerships on the:
  - adequacy and application of their governance arrangements



## Appendix C3: Opinion and Themes

### Assurance



- performance of individual partnerships in delivering outcomes that help the Council to achieve its corporate objectives.

Number of actions agreed: 4

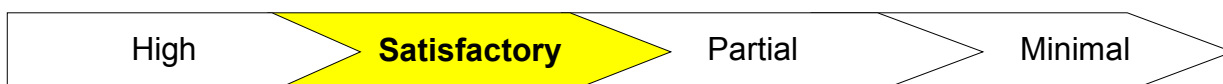
## Appendix C4: Audits Revisited

### Purpose of these audits

To assess whether the actions agreed in the original audit have been implemented and are now effectively embedded into the day-to-day operation of the service.

The opinions given reflect how much progress has been made to deal effectively with the issues raised in the original report. It is not a view on how well the service is now operating overall.

### Waste Collection



### Original Objective

To assess whether commercial and domestic waste collection services are effectively planned and managed, and waste vehicles are properly maintained.

### Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	No longer applicable
3	3	0	0	0

### Summary

Many of the issues raised in the original report were linked to the lack of investment in vehicles and staff pending completion of Castle Point Borough Council's Waste Collection service review. Good progress has been made in addressing them and as a result of this:

- a recruitment programme has been undertaken to significantly reduce the number of agency staff being employed, the long term aim being to only use such staff to cover vacancies and staff absences, in line with the Council's HR policy
- job profiles for waste collection staff have been updated to reflect current working practices
- agency staff are trained to the same standard as Council employees, with supervisors confirming that training records are accurate and up to date as part of their routine checks
- policy has been changed to require GPs to be used to undertake Heavy Goods Vehicles (HGV) medicals for drivers aged 45 years or older
- the Vehicle Replacement Programme has been revised and will be reviewed annually as part of the budget progress. Replacement vehicles are now on order for delivery early in 2017/18.

Since the original audit was completed, the Essex Waste Partnership Board, which comprises of elected member representatives from the Essex County Council (the waste disposal authority) and all its waste collection authorities, has endorsed a number of actions to reduce the overall cost of collecting and disposing of household waste.

## Appendix C4: Audits Revisited

One of these relates to the separate collection and treatment of food and garden waste. Phase 1 of the service review has secured the investment in vehicles and staff required for this service change.

Management has now committed to completing the final phase of the service review by June 2017. The recommendations will be put before the Chief Executive for approval by September 2017.

The service will also go to the market periodically, to let a call-off framework contract for supplying waste collection drivers and loaders so it:

- can demonstrate good value
- has some assurance of short notice access to such resources when required.

### Licensing



### Original Objective

To assess whether the Licensing Service has robust arrangements in place to fulfil the Council's statutory licensing duties whilst maximising income, actively contributing to wider Council priorities with the most economic staffing resources.

### Background

The original audit report issued in November 2013 had an "improvement required" audit opinion and highlighted:

- a need to improve the arrangements for monitoring the Licensing Service's performance against targets
- that the Licensing Service's IT system (LalPac) was not being used to its full potential; data input into it was inconsistent in some areas; and staff could process an application from start to finish, which increased the risk of fraud or error
- scope to strengthen the enforcement visit arrangements by documenting the checks to be completed and recording; and then following up where non-compliance was identified.

When the Head of Licensing & Safer Communities took over responsibility for the service in May 2015 a number of issues had not been addressed. Revised implementation dates were agreed, so the outstanding actions were all implemented by the end of 2015.

### Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	No longer applicable
0	0	3	4	0

## Appendix C4: Audits Revisited

### Summary

Despite this, very little further progress had been made to address the outstanding issues raised.

Therefore, action is still required to:

- fully evaluate whether LalPac is being used to its full potential by looking for opportunities to minimise the manual processes still being used
- revise the draft 'Licensing Enforcement Guidance Notes' and 'Licensing and Gambling Enforcement Policy and Procedures' and present them to the Licensing Committee for approval
- implement a proactive approach to enforcement visits that delivers the requirements set out in the revised Guidance Notes (rather than the reactive approach currently adopted)
- confirm all income due is completely and accurately received by carrying out monthly reconciliations between LalPac and the main financial system E-financials and then independently check to confirm they have been completed properly and in a timely manner
- benchmark the service against other similar councils licensing activities.

Whilst new implementation dates have been agreed for many of these actions, the Head of Licensing and Safer Communities has indicated, the team does not have the capacity to:

- undertake proactive enforcement visits
- fully evaluate whether LalPac is being used to its full potential, which is key to moving the service forward.

Also, the reconciliation of between LalPac and the main financial system E-financials will be completed quarterly not monthly.

### Safeguarding Arrangements



### Original Objective

To assess whether the Council had robust arrangements in place to discharge its statutory responsibilities with regard to:

- safeguarding and promoting the welfare of children in accordance with section 11 of the Children's Act 2004
- protecting vulnerable adults from abuse in accordance with the Care Act 2014.

### Background

The original audit report was issued in January 2012. In the 2013/14 Head of Internal Audit Report issued June 2014, it was noted that:

## **Appendix C4: Audits Revisited**

- a framework adopted by the Council for safeguarding vulnerable children and adults was in line with that set out by Essex County Council (the responsible body)
- the Council still needed to take action in order to be able to demonstrate it had robust but proportionate arrangements in place to meet the required standards consistently and in full.

### **Summary**

Further work is still required to fully embed proportionate safeguarding arrangements throughout the Council and ensure consistent compliance with them, can be demonstrated.

### **Roles and Responsibilities**

Following the original audit, management put in place a number of policies and procedures to strengthen the safeguarding arrangements across Castle Point Borough Council (the Council). The “Combined Safeguarding Policy and Strategy for Children, Young People and Vulnerable Adults” (the Policy), largely follows a good practice template developed by Southend-on-Sea Borough Council, Essex County Council and Thurrock Council (SET). It needs amending to reflect the aims and priorities of the Council.

The Council has also followed the SET Safeguarding template to form robust procedures for handling safeguarding issues. Where safeguarding concerns had been raised, it was found that the correct reporting and escalation procedures had been followed.

### **Training**

Officer’s informed Internal Audit that the current training all staff are required to complete, links to level 1 of the Essex Safeguarding Adults Board (ESAB) and the Essex Safeguarding Children Board (ESAB) training matrices. These have been compiled by Essex County Council, Southend-on-Sea Borough Council and Thurrock Council.

Although everyone gets a Safeguarding Induction Booklet, only staff who have an e-mail account undertake an e-learning safeguarding training module. Therefore, there is a risk that this additional training is not necessarily focused on those staff roles with potentially greater access to vulnerable people.

In designing induction or refresher training, there should be clear links to the training matrices produced by ESAB and the ESCB and the Council's own risk assessment of roles.

### **Recruitment / Disclosure and Barring Service Checks**

The Council has established appropriate processes for recruiting permanent and temporary staff that covers Disclosure and Barring Service (DBS) checks and references, as would be expected.

## Appendix C4: Audits Revisited

### Contracted services

The Council needs to consider its responsibilities for protecting children or vulnerable adults when contracting out services, which should include:

- assessing each service to ascertain the level of safeguarding risk involved
- ensuring tender specifications / contract documentation clearly set out the Council's expectations in this regard
- operating robust contract evaluation and management processes that ensure the safeguarding requirements are met.

The Council's arrangements require a safeguarding risk assessment to be completed for all external contractors providing a contracted out service on its behalf. However, evidence of the risk assessments could not be provided.

Following the publication of the Child Sexual Exploitation in Rotherham report, the Council required its taxi drivers to attend safeguarding training as part of the license renewal process in 2015 which is considered to be good practice. This will continue to be a requirement going forward. At present, there is also no facility to record this on LalPac, the IT system where all the individual taxi driver records are kept.

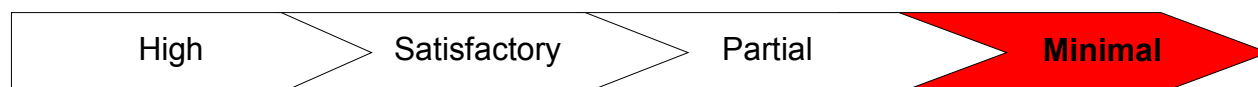
### Reporting and performance management arrangements

Action is required to agree with senior management how often and what management and performance information regarding the Council's safeguarding arrangements, is to be reported to Departmental, Operational and Corporate Management Team Meetings.

### Data Protection

All safeguarding referrals are either received in hard copy or emailed to the team. The information is held in a password-protected folder with access being limited to two members of staff. This is not an unreasonable approach for the Council to take.

### Regeneration



### Original Objective

To assess whether the regeneration partnership has evidenced that it has:

- achieved its 2008 /13 Regeneration Framework ambitions and key priorities
- effective arrangements and processes in place to deliver future regeneration ambitions.

## Appendix C4: Audits Revisited

### Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	No longer applicable
0	0	0	9	0

### Summary

When the original report (partial assurance) was issued, officers were able to describe examples of where the Regeneration Partnership had positively influenced others. However, its overall success in doing so and therefore its effectiveness had not been formally assessed and reported on. It was therefore unclear, the extent to which the 2008 to 2013 Regeneration Framework had been delivered or achieved the required regeneration outcomes.

Following the audit, management decided that the Regeneration Framework needed to be updated first and work on the other issues would be delayed until that was complete. The intention was to have the new arrangements in place by April 2016.

A proposal was presented to the November 2015 CPRP to update the Framework, which was approved at its January 2016 meeting. Although discussed regularly, some of the information required from partners has not been forthcoming. Therefore, as the Regeneration Framework has not been updated, no action has been taken to progress any of the other outstanding recommendations.

Officers feel that some of the partners' priorities have changed with regard to the importance of this partnership to them and therefore:

- the purpose and role of this partnership may need to be revisited within this context
- although the actions in the action plan currently remain unchanged, their continued relevance may need to be reviewed, should the continued viability of the partnership be reconsidered.

Officers have also expressed concerns about whether the Regeneration Service has the capacity to implement and then support the control framework outlined in the action plan.

Within the Council, a Strategic Regeneration Project group now meets every six weeks to get an update on current regeneration projects. A report is produced for this meeting, showing the history and status of each project. However, there is no agenda for these meetings or minutes, or an action plan that can be monitored to ensure actions required are properly progressed, in a timely manner.

## Appendix C4: Audits Revisited

### Housing Allocations



### Original Objective

To assess whether adequate processes and procedures are in place to allocate Council housing and ensure empty properties re-let fairly, consistently, promptly and in line with the Allocations Policy.

### Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	No longer applicable
0	1	9	6	0

### Summary

Progress made in implementing previous audit recommendations, is disappointing. Nevertheless, the new Interim Head of Housing and Tenancy Services Manager are proactively looking to progress with this work and have agreed revised implementation dates for all the outstanding actions.

This work will involve:

- completing a gap analysis against the Department for Communities and Local Government's Allocation of Accommodation guidance as well as other councils Allocation Policies and then amending the Council's Policy (the Policy) accordingly
- updating any staff instruction notes, procedure notes, application forms and advice to applicants to reflect the revised Policy, giving examples of the scenarios where they apply
- improving the visibility of the online application form, on Council websites, making it clear on both manual and online application forms that original documents are required to verify applicant's circumstances
- establishing a process to follow up on applications where the required documentation has not been provided within 14 days, which could include removing them from the waiting list
- reconciling the number of newly allocated properties on the Housing IT system to the supporting advert and sign up form OR authorised documentation if it is a direct let
- checking to confirm that all weekly termination and allocation sheets are complete and retained; and that there has been an appropriate segregation of duties within the process
- recording all attempts to contact applicants to arrange a reviewing as well as instructing staff to activate the lone worker device when on site and improve the arrangements to monitor this



## **Appendix C4: Audits Revisited**

- making the content of the Accompanied Viewing Checklist more comprehensive, which should include defining which ID documents should be brought to the viewing and then evidencing that they have been checked back to the original application
- re-introducing independent checks of new applications, changes in circumstances and Accompanied Viewing Checklists to confirm that they:
  - have been accurately and fully completed
  - are supported by appropriate evidence, which has been assessed correctly.
- improving controls over the security of void property keys held in key safes at the void property, to ensure these properties are not used inappropriately.

## Appendix D: Stakeholder Surveys, Compliance with Professional Standards

<b>1. Setting up and planning the audit (PSIAS 1200 / 2200)</b>		
1.1	Did we show a good level of knowledge and understanding of your service when discussing the potential scope and objective to be covered by the audit before fieldwork took place?	100%
<b>2. Performing the audit (PSIAS 2300)</b>		
2.1	Did we work effectively with you when doing the audit to minimise the impact on your service?	100%
2.2	Were we able to talk knowledgeably with you about information provided to us and queries we had during the audit?	100%
<b>3. Communicating results (PSIAS 2400)</b>		
3.1	Did we keep you informed of the progress of the audit and issues arising from the work in timely manner?	75%
3.2	Did we effectively explain to you where we felt action was required to improve your arrangements and why?	100%
3.3	Was the report fair and reflective of the work done by audit and the issues found as discussed with you?	100%
<b>4. Independence and Objectivity (PSIAS 1100)</b>		
4.1	Did we provide relevant evidence to back up our findings if required?	100%
4.2	At the end of the audit, did you understand the rationale for the overall opinion given?	100%
<b>5. Improving governance, risk management and control processes (PSIAS 2100)</b>		
5.1	Did we explain how the actions you agreed to take would strengthen your operational arrangements and why that is important?	100%
<b>6. Managing the Internal Audit Activity (PSIAS 2000)</b>		
6.1	Do you think internal audit adds value to the Council?	100%

## Appendix E: Stakeholder Surveys Improvement Plan: Status Report

Action	Current Status	Deadline
<b>1. Setting up and planning the audit (PSIAS 1200 / 2200)</b>		
Increase the in house management time allocated to each contracted out audit to brief and support the contract staff undertaking the work.	This has been actioned for the remainder of the 2016/17 Audit Plan and the 2017/18 Audit Plan.	Completed.
Discuss different options for resourcing 2017/18 Audit Plan in the short term and the impact that might have on coverage as part of the audit planning process.	This will be discussed with the Strategic Director, Transformation & Resources.  The 2017/18 Audit Plan will reflect the results of this discussion.	April 2017.
Ensure all key staff involved in follow up audits have an opportunity to discuss the timing of the work and are clear what it involves.	Time has been allocated to liaise with key staff about this.	April 2017.
Produce a standard terms of reference for this type of work.	This has been produced and is now used when setting up follow up audit reviews.	Completed.
<b>2. Performing the audit (PSIAS 2300)</b>		
Ensure contracted out work is allocated to staff with the required expertise to undertake the work.	As soon as Audit Plans for individual clients are approved, discussions will be had with the respective contractors about type of staff required to deliver specific jobs.  This assurance will then be provided to Strategic Director, Transformation & Resources.	April 2017.
Arrange quarterly meetings with relevant staff to confirm forthcoming audits and staff allocated to them.	Meetings will be arranged with key staff, to discuss the proposed work profile for the first six months.	April 2017.

## Appendix E: Stakeholder Surveys Improvement Plan: Status Report

Action	Current Status	Deadline
<b>3. Communicating results and Improving governance, risk management and control processes (PSIAS 2400 and 2100)</b>		
Produce an contractor audit delivery monitoring schedule specifically for managing contracted out audits which includes: <ul style="list-style-type: none"> <li>• agreeing timelines with contract staff for the completion of the work</li> <li>• triggers to identify delays in finalising work and producing reports</li> <li>• details of when the contractor will feed back the findings from the work and discuss potential opportunities to strengthen processes and controls as a result of this, with company staff.</li> </ul>	Timelines and delivery dates for the 2017/18 Audit Plan will be mapped and agreed after it has been approved by the Audit Committee.	April 2017.
	The contractor audit delivery monitoring schedule will be produced as part of this process.	March 2017.
Use this information to keep auditees informed of when work is expected to be delivered.	This will be discussed with the Strategic Director, Transformation & Resources and other key managers as required.	For 2017/18 Audit Plan
Carry out exit meetings for all audits, with the relevant staff in attendance.	Current contractors have been informed of the need to do this with immediate effect.	Implemented.
	The delivery of this will be checked using feedback from stakeholder surveys, which will be included in Quarter Performance Reports to the Audit Committee.	Refer Audit Committee reporting cycle.
Build triggers into the audit approach that requires auditors to keep staff informed of when reports can be expected and if there are delays in producing them.	The audit delivery monitoring schedule will be amended to include this requirement and will be applied to current, outstanding audits.	March 2017.
	The delivery of this will be checked using feedback from stakeholder surveys, which will be included in Quarter Performance Reports to the Audit Committee.	Refer Audit Committee reporting cycle.

## Appendix E: Stakeholder Surveys Improvement Plan: Status Report

Action	Current Status	Deadline
<b>4. Independence and Objectivity (PSIAS 1100)</b>		
Produce a simple hand-out that explains what the audit opinions are and how they are arrived at that can be shared with staff being audited.	This will be produced for use when completing audits within the 2017/18 Audit Plan.	March 2017.
Ensure reasons for the audit opinion on individual jobs is also explained at the exit meeting.	This will be applied for audits undertaken as part of the 2017/18 Audit Plan.	From April 2017.
	The delivery of this will be checked using feedback from stakeholder surveys, which will be included in Quarter Performance Reports to the Audit Committee.	Refer Audit Committee reporting cycle.

**AUDIT COMMITTEE**

**30 March 2017**

**Subject: EY Audit Plan 2016/17**

---

**1. Purpose of Report**

To present the External Auditor's Audit Plan for 2016/17 to the Audit Committee.

**2. Background**

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

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

**3. Corporate Implications**

**Financial Implications**

The prescribed requirements of what needs to be undertaken by the external auditor are defined in the National Audit Office's 2015 Code of Audit Practice and the fee scales are defined by Public Sector Audit Appointments (PSAA) Ltd. The plan and fees proposed reflect the application of these requirements to this Council based upon an assessment of risk which is set out in the Audit Plan for 2016/17.

The cost to the Council of external audit for 2016/17 is planned to be £56,265 for the Code Audit and £20,935 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 Aims, Targets and Objectives**

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

#### **5. Timescale for Implementation and Risk Factors**

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

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

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

#### **6. Conclusion**

None

### **Recommendation**

**The Audit Committee notes EY's Audit Plan 2016/17.**

## **Background Papers**

- National Audit Office's 2015 Code of Audit Practice
- National Audit Office's Work Programme and Scales of Fees 2016/17

## **Attachments**

- EY Audit Plan 2016/17.

**Report Author: Kevin Suter, Executive Director, EY**

# Castle Point Borough Council

Year ending 31 March 2017

Audit Plan

30 March 2017

Ernst & Young LLP



Building a better  
working world



Audit Committee  
Castle Point Borough Council  
Council Offices  
Kiln Road  
Benfleet  
Essex  
SS7 1TF

30 March 2017

Dear Members

## **Audit Plan 2016-17**

We are pleased to attach our Audit Plan, which sets out how we intend to carry out our responsibilities as auditor.

Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2016-17 audit in accordance 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. It is also to ensure that our audit is aligned with the Audit Committee's service expectations.

This plan summarises our initial assessment of the key risks which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this plan with you at the 30 March 2017 Audit Committee and to understand whether there are other matters which you consider may influence our audit.

Yours sincerely

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

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk)).

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

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

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

## 1. Overview

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

- ▶ Our audit opinion on whether the financial statements of Castle Point Borough Council give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended; and
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

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

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

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

## 2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion to date with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

### Significant risks (including fraud risks)

### Our audit approach

#### Risk of fraud in revenue recognition

Under ISA (UK and Ireland) 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.

In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Having assessed the key income and expenditure streams of the Council, we judge that there is material opportunity and incentive for the incorrect capitalisation of revenue spend as capital expenditure

We will:

- ▶ review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements for capitalisation.

#### Risk of management override

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

Our approach will focus on:

- ▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ reviewing accounting estimates for evidence of management bias; and
- ▶ evaluating the business rationale for significant unusual transactions.

### Other financial statement risks

#### Financial Statements Presentation

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the code) this year changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with

Our Approach will focus on:

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

SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.

This change in the code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

#### Property Valuation

The Council undertakes an annual exercise to revalue property assets. The valuation of these assets represents a significant accounting estimate given that the value of properties involved was over £140m at 31 March 2016. The accounting entries arising from changes in value have a significant impact on the Council's financial statements. We will undertake specific testing to address the risk that the accounting estimate could be materially misstated

Our approach will focus on:

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

#### Pensions

The Council annually updates the pension liability shown on the balance sheet (£36.2 million at 31/03/16) and reflects the costs that it incurs as an employer with staff in the Essex County Council Pension Fund. The amounts for the liability and service costs are provided by actuaries engaged by the Pension Fund. These amounts are a significant accounting estimate. We will undertake specific testing to address the risk that the accounting estimate could be materially misstated

Our approach will focus on:

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

## 2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

### 3. Value for money risks

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.  
For 2016-17 this is based on the overall evaluation criterion:

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

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

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

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

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

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

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

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

Significant value for money risks	Our audit approach
Sustainable resource deployment: Achievement of savings needed over the medium term	
<p>The Council faces significant financial challenges. Efficiency savings, cost reductions and additional income are required over the forthcoming periods of:</p> <ul style="list-style-type: none"> <li>▶ 2018/19, £0.5m</li> <li>▶ 2019/20, £1m</li> </ul> <p>Given the scale of the savings needed, there is a risk that savings plans to bridge this gap are not robust and/or achievable.</p>	<p>Our approach will continue to focus on:</p> <ul style="list-style-type: none"> <li>▶ The robustness of any assumptions used in the 2016-17 annual budget and medium term planning.</li> <li>▶ The Council’s progress in identifying the sources of savings and additional income to reduce the 2018/19 and 2019/20 budget gaps.</li> <li>▶ The adequacy of future levels of reserves.</li> </ul>

## 4. Our audit process and strategy

### 4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ Financial statements; and
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

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

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Group's Whole of Government Accounts return to the extent and in the form they require.

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

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

### 4.2 Audit process overview

Our audit involves:

- ▶ Rather than relying on key controls we consider that it is likely to be more efficient to undertake a substantive approach to the audit including using analytics tools. However we will consider the appropriateness of controls testing once our walkthrough testing of the key financial systems has been undertaking;
- ▶ We will refer to the work of internal audit in order to inform our planning and risk assessment;
- ▶ Reliance on the work of experts in relation to areas such as pensions, valuations and non-domestic rates (NDR) appeals provisions.

#### **Analytics**

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries, payroll, and property plant and equipment. These tools:

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



### Internal audit

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

### Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions	EY pensions team and PWC; Castle Point Borough Council's actuary: Barnett Waddingham.
Property, Plant and Equipment	Castle Point Borough Council's valuers: Wilks, Head and Eve

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

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

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

## 4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

### Procedures required by standards

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

### **Procedures required by the Code**

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

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act and Code of Audit Practice.

## **4.4 Materiality**

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

Based on the prior year financial statements, we have determined that overall materiality for the financial statements of the Council is £0.920 million based on 2% of gross expenditure. We will communicate uncorrected audit misstatements greater than £46,000 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

## **4.5 Fees**

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Castle Point Borough Council is £56,265.

## **4.6 Your audit team**

The engagement team is led by Kevin Suter, Executive Director, who has significant experience of the local government sector. Kevin is supported by Dean Bardrick, who is responsible for the day-to-day direction of audit work and is the key point of contact for the Section 151 Officer.

## **4.7 Timetable of communication, deliverables and insights**

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2016-17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

<b>Audit phase</b>	<b>Timetable</b>	<b>Audit Committee timetable</b>	<b>Deliverables</b>
High level planning	January 2017	January 2017	Audit Fee Letter
Risk assessment and setting of scopes	February 2017	March 20167	Audit Plan
Testing routine processes and controls	February - March 2017		
Completion of audit	July - September 2017	September 2017	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements and, overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October 2017	December 2017	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

## 5. Independence

### 5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services.

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

### 5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

#### ***Self-interest threats***

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

At the time of writing, the Council has not commissioned any non-audit services from EY for 2016-17.

Therefore, no additional safeguards are required.

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

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

#### ***Self-review threats***

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

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

#### ***Management threats***

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

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

#### ***Other threats***

Other threats, such as advocacy, familiarity or intimidation, may arise.

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

#### ***Overall Assessment***

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Kevin Suter, Executive Director and the audit engagement team have not been compromised.

### **5.3 Other required communications**

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016-17 £	Scale fee 2016-17 £	Outturn fee 2015-16 £	Explanation
Opinion Audit and VFM Conclusion	56,265	56,265	56,265	.
<b>Total Audit Fee – Code work</b>	<b>56,265</b>	<b>56,265</b>	<b>56,265</b>	
Certification of claims and returns	20,935	20,935	21,801	Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA

*All fees exclude VAT.*

The planned fees for 2016/17 may be subject to a scale fee variation increase. This arises from how the new reporting requirements from the CIPFA Code of Practice on Local Authority Accounting 2016-17 impacts the Comprehensive Income and Expenditure Statement as set out in Section 2 of this Plan, which requires a restatement of the prior year audited figures. We will work with officers to establish working paper requirements to minimise the impact.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We can rely on the work of internal audit as planned;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Section 151 Officer in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

## Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit and Risk Committee. These are detailed here:

Required communication	Reference
<b>Planning and audit approach</b> Communication of the planned scope and timing of the audit including any limitations.	► Audit Plan
<b>Significant findings from the audit</b> <ul style="list-style-type: none"> <li>► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>► Significant difficulties, if any, encountered during the audit</li> <li>► Significant matters, if any, arising from the audit that were discussed with management</li> <li>► Written representations that we are seeking</li> <li>► Expected modifications to the audit report</li> <li>► Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	► Audit Results Report
<b>Misstatements</b> <ul style="list-style-type: none"> <li>► Uncorrected misstatements and their effect on our audit opinion</li> <li>► The effect of uncorrected misstatements related to prior periods</li> <li>► A request that any uncorrected misstatement be corrected</li> <li>► In writing, corrected misstatements that are significant</li> </ul>	► Audit Results Report
<b>Fraud</b> <ul style="list-style-type: none"> <li>► Enquiries of the Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>► A discussion of any other matters related to fraud</li> </ul>	► Audit Results Report
<b>Related parties</b> Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> <li>► Non-disclosure by management</li> <li>► Inappropriate authorisation and approval of transactions</li> <li>► Disagreement over disclosures</li> <li>► Non-compliance with laws and regulations</li> <li>► Difficulty in identifying the party that ultimately controls the entity</li> </ul>	► Audit Results Report
<b>External confirmations</b> <ul style="list-style-type: none"> <li>► Management's refusal for us to request confirmations</li> <li>► Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	► Audit Results Report
<b>Consideration of laws and regulations</b> <ul style="list-style-type: none"> <li>► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>► Enquiry of the Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Risk Committee may be aware of</li> </ul>	► Audit Results Report

Required communication	Reference
<b>Independence</b> Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement director's consideration of independence and objectivity such as: <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Audit Results Report</li> </ul>
<b>Going concern</b> Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Results Report</li> </ul>
<b>Significant deficiencies in internal controls identified during the audit</b>	<ul style="list-style-type: none"> <li>▶ Audit Results Report</li> </ul>
<b>Fee Information</b> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Audit Results Report</li> <li>▶ Annual Audit Letter if considered necessary</li> </ul>
<b>Certification work</b> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	<ul style="list-style-type: none"> <li>▶ Certification report</li> <li>▶ Annual Audit Letter if considered necessary</li> </ul>



Detailed scopes

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**AUDIT COMMITTEE****30 March 2017****Subject: Internal Audit Charter, Strategy and Audit Plan for 2017/18**

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**1. Purpose of Report**

To present to the Audit Committee, the Internal Audit Charter with the supporting Strategy and Audit Plan for 2017/18.

**2. Background**

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

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

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

**3. Charter, Strategy and Audit Plan**

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

- Charter, that defines the purpose, authority and responsibility of the service
- Strategy, that outlines how the service will be delivered in line with the Charter and includes the:
  - Internal Audit Plan for 2017/18
  - statement showing how audit work completed during the year will provide assurance regarding the mitigation of the Council's strategic risks
  - How We Will Work With You Statement.

The following paragraphs explain key amendments to the documents which were last presented to the Audit Committee in March 2016. These are also highlighted in **bold** within the documents themselves for ease of reference.

#### **4. Charter (Appendix A)**

The only amendment made to the Charter this year reflects the:

- new arrangement the Council has with Thurrock Council to provide it with a counter fraud & investigation service
- need for the two services to work effectively together to ensure control weaknesses identified are properly addressed.

#### **5. Strategy (Appendix B)**

The Strategy sets out:

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

A few cosmetic amendments have been made to the Strategy that don't affect the manner in which the audit service is delivered. The main changes that have been made:

- explain the current resourcing position of the service and the impact that will have on both the:
  - mix of resource that will be used during the year
  - amount of days that can be delivered (Audit Plan section).
- outline that the Audit Plan sets out the work planned at this stage plus a contingency with a list of potential audits to be completed during the remainder of the year (Audit Plan section)
- set out that the Counter Fraud & Investigation Directorate will investigate any allegations of fraud, corruption, bribery, theft or financial irregularities (Audit Plan section)
- outline that the team's job profiles have now been updated (Resources section)
- describe the performance targets that the team will adopt once it is more fully resourced and the more limited but relevant targets it will report upon initially during 2017/18 (Service Performance Indicators section)
- provide further information about the external assessment of the team's compliance with professional standards which must be completed by March 2018 (Quality Assurance and Improvement Programme section).

As outlined in the Strategy, activities are only considered for inclusion in the Audit Plan if they are assessed as being significant enough to require periodic independent review. The coverage provided within the proposed **Audit Plan** for 2017/18 (**Appendix B1**) is based upon the audit approach outlined in the Strategy which complies with the requirements of the Standards.

The total audit days is currently an estimated figure that includes a contingency which is currently the difference between work planned and the estimated total days figure that will be reviewed in due course (refer section above re staff resources).

It has been discussed with senior management.

As is usual practice, any proposed future amendments to the Audit Plan will be reported to the Audit Committee for approval.

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

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

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

If delivered, they provide evidence that the Council is maintaining an adequate and effective internal audit service that:

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

A minor amendment has been made to the **How We Will Work With You Statement (Appendix B3)** to include the new Transformation Manager roles.

## **6. Corporate Implications**

### **Financial Implications**

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

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

### **Legal Implications**

The Accounts and Audit Regulations 2015, Section 5 requires the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

The Standards require:

- the Audit Committee to approve (**but not direct**) the annual internal Audit Plan and this report discharges that duty

- the Audit Committee to then receive regular updates on its delivery, as provided by the quarterly performance report
- the Head of Internal Audit to provide an annual audit opinion on the Council's risk management, control and governance arrangements and report on this to the Audit Committee, which is delivered to its June meeting.

### **Human Resources / Asset Management**

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

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

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

### **Equality Implications**

Not applicable to these documents.

### **IT Implications**

Not applicable to these documents.

The IT risk assessment is explained in the Strategy document.

## **7. Links to Council's Aims, Targets and Objectives**

The Audit Plan contributes to the delivery of all of the Council's aims, targets and objectives.

## **8. Timescale for Implementation**

The Audit Plan covers the 2017/18 financial year although work to deliver this will continue until the Head of Internal Audit's Annual report is produced.

## **9. Risk Factors**

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact on the Council's ability to deliver its corporate aims, priorities and objectives. This risk is being mitigated by the work of the Good Governance Group. Assurance provided by this Group is summarised in the 'Quarterly Monitoring Report of the Council's Governance Arrangements'.

The key team risks are:

- its inability to recruit or retain staff
- that external suppliers won't deliver contracted in work within the required deadlines to the expected quality standards
- that it becomes increasingly difficult to:
  - engage staff in service departments within the audit process
  - obtain information at all or in a timely way, so that a full review can be completed

- discuss and agree opinions and action plans as the resources to implement them become more stretched.

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

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

**Recommendation:**

**The Audit Committee approves the Charter, Strategy and Audit Plan for 2017/18.**

**Background Papers**

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

**Appendices**

- Appendix A: Internal Audit Charter
- Appendix B: Strategy
  - Appendix B1: Internal Audit Plan for 2017/18
  - Appendix B2: Audit assurance linked to the Council's corporate risks
  - Appendix B3: How We Will Work With You Statement

**Report Author: Linda Everard, Head of Internal Audit**



## **Internal Audit Charter**

Subject to annual review by the Head of Internal Audit  
Reported to the Audit Committee: March 2017

## Appendix A: Internal Audit Charter

### Introduction

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

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

### Service Objective

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

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

In doing this, Internal Audit aims to:

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

### Responsibilities

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

In a local authority, internal audit:

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

It is a management responsibility to:

- establish and maintain appropriate governance arrangements and internal control systems

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<sup>1</sup> Institute of Internal Auditors



## Appendix A: Internal Audit Charter

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

### Statutory Role

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

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

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

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

*as are considered necessary by those conducting the internal audit.*

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

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

### Independence and Accountability

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations.

Internal auditors have no operational responsibilities. Where the Head of Internal Audit is responsible for other services, arrangements are in place to ensure that any:

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

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

Internal Audit may also provide consultancy services at the request of the organisation, which would include activities like providing advice, facilitation and training. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit.

## **Appendix A: Internal Audit Charter**

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

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

### **Internal Audit Scope**

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

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

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

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

### **Reporting Lines and Relationships**

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

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

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

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

## Appendix A: Internal Audit Charter

The Head of Internal Audit also:

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

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

### Internal Audit Standards

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

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

- demonstrates integrity
- demonstrates competence and due professional care
- is objective and free from undue influence (independent)
- aligns with the strategies, objectives and risks of the organisation
- is appropriately positioned and adequately resourced
- demonstrates quality and continuous improvement
- communicates effectively
- provides risk-based assurance
- is insightful, proactive and future-focused
- promotes organisational improvement.

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

In accordance with the Standards, Internal Audit is subject to a quality assurance and improvement regime. This consists of an annual self assessment of the service against the Standards, ongoing performance monitoring of individual reviews and an external assessment at least every five years by a suitably qualified, independent assessor. The results of all of this activity are reported to the Executive Management Team and the Audit Committee, along with details of any instances of non-conformance.

## Appendix A: Internal Audit Charter

Where non-conformance is considered significant, this will also be included within the Council's Annual Governance Statement.

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

### Internal Audit Resources

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

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

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

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

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

### Fraud and Corruption

Managing the risk of fraud and corruption is the responsibility of management not Internal Audit. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption. **The joint Counter Fraud & Investigation Directorate (the Directorate), a public authorities collaboration hosted by Thurrock Council and Southend-on-Sea Borough Council, will investigate allegations of fraud and corruption in line with the Council's Anti-Fraud and Corruption Strategy. The Internal Audit Service will work collaboratively with the Directorate where necessary, to ensure system or process weaknesses identified during investigations are addressed.**

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



## Internal Audit Strategy

Subject to annual review by the Head of Internal Audit  
Reported to the Audit Committee March 2017

## Appendix B: Internal Audit Strategy

### Introduction

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

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

### Code of Ethics

All internal auditors working for the Council will comply with:

- the Code of Ethics contained within the UK Public Sector Internal Audit Standards which define:
  - principles that are relevant to the profession and practice of internal auditing
  - rules of conduct that describe behaviour norms expected of internal auditors.
- the ethical standards of any professional body they are members of
- the Nolan Committee's *Seven Principles of Public Life* as defined in the Local Code of Governance.

The four key principles they will adopt are as follows:

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

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

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

## **Appendix B: Internal Audit Strategy**

### **Basis for Annual Audit Opinion**

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

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

### **Audit Approach**

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

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

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

### **Governance**

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

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

In doing this, Internal Audit will:

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

### **Risk Management**

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



## **Appendix B: Internal Audit Strategy**

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

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

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

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

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

### **Control**

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

### **Types of Assurance Provided**

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

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

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

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



## **Appendix B: Internal Audit Strategy**

### **Limitations**

Internal Audit will not:

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

### **Risk Assessment**

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

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

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

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

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

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

- financial risk
- public related risks (including satisfaction and reputational)

## Appendix B: Internal Audit Strategy

- operational risks (including importance in delivering corporate Aims, Targets and Objectives)
- legal and political risks
- people and property risks (including health & safety and safeguarding)
- inherent risk (including that of fraud).

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

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

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

### Assurance Framework

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

- operation of individual services and the management of their related risks
- Council's governance arrangements.

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

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

### Coordinating the Three Lines of Defence

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

## Appendix B: Internal Audit Strategy

### Audit Plan

As at March 2017, the combined service still has four vacancies out of nine auditor posts, one of which is being covered by a long term but rolling agency appointment. A new member of staff will start early April 2017 and another won't join the team until July 2017. Therefore, 2017/18 will be another transitional year for the team.

The service will remain heavily reliant on external contractors during 2017/18, which will reduce the number of days that can be delivered from each Council's internal audit budget. It is difficult at this point to predict by how much, as it will depend on when further appointments are made.

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

- cover vacancies
- deliver audits that require specialist skills.

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

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

**The Audit Plan, attached at Appendix B1, sets out the work planned at this stage plus a contingency, front loading contractor work wherever possible. A list of potential audits will be maintained and reviewed in August 2017, to determine what will be added into the Audit Plan, once the number of days available can be more accurately calculated.**

It reflects the results of the risk assessment and the information gathered about the Council's assurance framework. It shows how the work will provide evidence that risks relating to the delivery of the corporate Aims, Targets and Objectives are being managed effectively. **Appendix B2** maps audit work against corporate risks.

## Appendix B: Internal Audit Strategy

A contingency budget has been built into the Audit Plan. Nevertheless any risks that arise during the year will be considered against the risk profile of the work already planned before a review is deleted and replaced by a new audit.

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

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

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

### Resources

Southend-on-Sea Borough Council and Castle Point Borough Council have signed an Internal Audit Joint Working Agreement to use their combined internal audit resources to provide a service to both councils **and others**.

**Following the external service review, a pre-dominantly in-house resourced service will be provided** supplemented as required, by additional resources obtained via framework contracts with external suppliers. This service is managed by a jointly appointed and shared Head of Internal Audit.

**In principle, once the in-house team has been recreated**, the on-going strategy will be to continue with this mixed economy approach to resourcing the service. This is as long as costs remain competitive, productivity is high and quality standards are met, as measured by delivery of the agreed performance indicators.

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

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

**The service will be mindful about allowing the staff to audit the same area continually, as this might lead to over-familiarity and complacency that could influence objectivity.**

### Training and Development

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

## Appendix B: Internal Audit Strategy

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

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

### Service Performance Indicators

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

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

**For 2017/18, performance targets will consist of:**

- **delivering 100% of the Audit Plan by the June Audit Committee**
- **those relating to sickness and stakeholder surveys**
- **delivering an agreed % of total available staff days on delivering the Audit Plan (reduced to take account of recruiting and training new staff as well as the time spent preparing for the independent external review). This will be calculated once:**
  - **start dates have been agreed for the new appointments**
  - **an assessment can be made about the time commitment the external assessment will require.**

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

## Appendix B: Internal Audit Strategy

### Service Risk Register

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

### Delivering Audit Assignments

An audit manual will be maintained that guides staff in the performance of their duties. It will be reviewed regularly to reflect changes in working practices and standards. This will ensure that auditors obtain and record sufficient evidence to support their conclusions, professional judgements and recommendations. The standard of files will be such that an experienced auditor, with no previous connection with the audit, will be able to ascertain what work was performed, re-perform it if necessary and support the conclusions reached.

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

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

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

### How We Will Work With You

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

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

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

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

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

Audit reports will generally be designed to:

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

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

The Head of Internal Audit Annual Report will include:

## **Appendix B: Internal Audit Strategy**

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

### **Audit Committee**

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

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

### **External Audit**

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

### **Partners**

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

### **Quality Assurance and Improvement Programme**

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

- ongoing supervision and review of individual assignments
- staff performance assessment forms covering blocks of work as well as stakeholder surveys
- regular monitoring of service delivery via agreed performance targets
- an annual self assessment of compliance with relevant professional standards
- a periodic assessment of compliance with the CIPFA statement on the Role of the Head of Internal Audit in Local Government, if completed.

## **Appendix B: Internal Audit Strategy**

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

**The combined Internal Audit Service is required to have an external assessment of its compliance with the Standards**, at least every five years by a qualified, independent assessor from outside the organisation. **The Head of Internal Audit must (as per the Standards section 1312):**

- **discuss with the Audit Committee the:**
  - form of external assessment (e.g. full external assessment or self assessment with independent validation)
  - qualification and independence of the external assessor including any potential conflict of interest risks.
- **agree the scope of the external assessment with:**
  - **an appropriate sponsor (which at the Council will be the Strategic Director, Transformation and Resources)**
  - **the external assessor.**

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

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

### **Appendices**

- **Appendix B1: Internal Audit Plan for 2017/18**
- **Appendix B2: Audit assurance linked to corporate risks**
- **Appendix B3: How We Will Work With You Statement**



## Appendix B1: Internal Audit Plan 2017/18

Lead	Service Activity	Fraud risk	Focus of the Audit
<b>Managing the Business</b>			
<b>All Aims</b>			
Res	Business Continuity	No	To assess whether there are effective arrangements in place to enable services (particularly critical ones) to continue to be provided in the event of a disaster occurring.  <i>Planned for Sept to Nov 2017</i>
Res	IT Risk Assessment	No	To undertake a baseline assessment of IT risks against a standard good practice framework and use this to develop the IT element of the Audit Plan going forward.  <i>Planned for Apr / May 2017</i>
HolA	Risk Management	No	To update the Policy, Strategy and Toolkit. To provide workshops with staff on how to apply the refreshed arrangements, specifically regarding risk appetite and tolerance.  <i>Planned March / April 2017</i>
<i>Implementing Action Plans</i>			
TBC	Working with Partners, Strategic Partnership Framework (including Community Safety Partnership)  <i>No timeframe agreed for this yet</i>	No	To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.
<b>Managing Service Delivery Risks</b>			
<b>Aim: Public Health and Wellbeing</b>			
<i>Implementing Action Plans</i>			
TBC	Working with Partners, Strategic Partnership Framework (including Community Safety Partnership)  <i>No timeframe agreed for this yet</i>	No	To confirm that action agreed have been effectively implemented and embedded into the day to day operation of the service.

## Appendix B1: Internal Audit Plan 2017/18

Lead	Service Activity	Fraud risk	Focus of the Audit
<b>Aim: Environment</b>			
Env	Waste collection	Yes	<p>To assess the adequacy of the:</p> <ul style="list-style-type: none"> <li>business case to implement the new scheme to separate the collection and treatment of food and garden waste</li> <li>exercise to procure the new refuse vehicles.</li> </ul>
<i>Implementing Action Plans</i>			
SD, CS	<p>Safeguarding Arrangements</p> <p><i>Planned Oct 2017 for contractor risks</i></p> <p><i>Planned for Jan 2018 for other risks</i></p>	No	To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.
<b>Aim: Transforming Our Community</b>			
DC / BC	Building Control	Yes	<p>To complete a baseline review of the services operational processes to inform the transformation programme being developed by management.</p> <p><i>Planned for Apr to Jun 2017</i></p>
DC / BC	Development Control	Yes	<p>To assess the adequacy and effectiveness of the operational processes as these are redesigned and fully implemented.</p> <p><i>This will be a programme of work over the year.</i></p> <p>The first review will focus on the work of the Support Team.</p> <p><i>Planned for Jun to Aug 2017</i></p>
<i>Implementing Action Plans</i>			
Reg	<p>Regeneration Partnership</p> <p><i>No timeframe agreed for this yet</i></p>	No	To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.
H	<p>Right to Buy</p> <p><i>Planned Apr / May 2017</i></p>	Yes	

## Appendix B1: Internal Audit Plan 2017/18

Lead	Service Activity	Fraud risk	Focus of the Audit
<b>Aim: Efficient and Effective Customer Focused Services</b>			
Res	Accounts Payable	Yes	To assess whether the Accounts Payable system operates efficiently and effectively given automation of aspects of the process. <i>Planned for Apr to Jun</i>
Env	Environmental Health	Yes	To assess whether the services operational processes are fit for purpose and now fully embedded into the day to day working practices. <i>Planned for Apr to Jun</i>
Var	EFIN and CIVICA IT systems	Yes	To evaluate whether the enhanced functionality of these IT systems has been properly implemented. <i>Start date to be confirmed</i>
Var	IDOX IT system	Yes	To identify whether the on-going maintenance and development of the software system is efficiently and effectively managed. <i>Planned for Apr to Jun</i>
R&B	Revenues and Benefits	Yes	To work proactively with the Transformation Manager to provide assurance that operational processes are fit for purpose and fully embedded into the day to day working practices as they are resigned. <i>This will be a programme of work over the year.</i>
<b>Implementing Action Plans</b>			
DC & BC	Approval of Planning Applications <i>Planned for Jul / Aug 2017</i>	Yes	To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.
H	Homelessness <i>Start date to be confirmed</i>	Yes	
SD, CS	Licensing <i>Planned for Oct to Dec 2017</i>	Yes	

## Appendix B1: Internal Audit Plan 2017/18

Lead	Service Activity	Fraud risk	Focus of the Audit
Key Financial Systems			
All Aims			
H	Business Rates	Yes	To assess whether the key controls in each of the key financial systems effectively prevent or detect material errors on a timely basis to ensure that the financial statements are not materially incorrect.  <i>Planned for Nov 2017 to Jan 2017</i>
H	Council Tax	Yes	
H	Housing Benefit	Yes	
H	Housing Rents	Yes	
Res	Treasury Management	Yes	
All	Follow up actions from systems not being audited this year.	Yes	
Grant Claims			
Env	Disabled Facilities Capital Grant Determination	Yes	To confirm the monies have been spent in accordance with the terms of the grant.  <i>Planned for Aug 2017</i>
Advice and Support Work			
	Contingency	No	To be allocated during the year
Managing Delivery of the Audit Plan			
This includes audit planning, resourcing, managing contractor work, reporting to Executive Management Team and Audit Committee.			

\* As the work is undertaken, the estimated spend or income processed by the systems / activities will be noted in the plan / terms of reference and reports. This is to help management and the Audit Committee to evaluate the level of risk if poor performance is reported and assurance provided if a good audit opinion is given.

## Appendix B1: Internal Audit Plan 2017/18

Lead	Service Activity	Fraud risk	Focus of the Audit
<b>Risk Watch List</b>			
All	Business Case Development and Project Assurance		
All	Contract letting and management (not housing)		
Res	Corporate Planned Repairs and Maintenance to Corporate Buildings		
SD, CS	Ethical Governance		
H & LC	Housing Capital Property Management		
SD, CS	Information Management and Security: Sept / Oct 2017 if included.		
Res	IT Strategy		
Res	Liability to ensure tax and NI is paid for staff employed who are not on the payroll (IR35)		
Env	Runnymede Development		
SD, CS	Performance Management and Staff Appraisal process for services where action plans are not being implemented in a timely manner.		
H & LC	Strategic Housing		
	<b>Other potential follow ups – to be confirmed once reports are finalised</b>		
	<ul style="list-style-type: none"> <li>Complaints, Compliments and Comments</li> </ul>		
	<ul style="list-style-type: none"> <li>Health and Safety of Housing Stock</li> </ul>		
	<ul style="list-style-type: none"> <li>Housing Needs / Allocations</li> </ul>		
	<ul style="list-style-type: none"> <li>Cyber Security</li> </ul>		
	<ul style="list-style-type: none"> <li>Leases and Licenses</li> </ul>		
	<ul style="list-style-type: none"> <li>Leisure Services, Income Management</li> </ul>		

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

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

	Risk title	Corporate Risks March 2017	Audit work providing assurance in 2017/18
1	Public Health & Wellbeing	Partnership Arrangements are not fully effective and risks focus on work that does not always meet Council priorities.	Working with Partners reviewed in 2016/17. Action is required in order to develop a strategic framework and toolkit. Progress made to address this will be followed up in 2017/18.
2	Transforming Our Community	The Vision for Regeneration is not fully clear and the achievement of outcomes is limited.	The original Regeneration Partnership report was followed up in 2016/17. Either the action plan still needs to be implemented or it needs to be reconstituted within the Strategic Partnership Framework, once it is produced.
3	Transforming Our Community	Local Plan is not progressed satisfactorily and / or is not robust resulting in central government intervention and high legal costs.	No work planned.
4	Efficient & Effective Customer Focused Services	Unable to provide full range of existing services for years 2018/19 and beyond due to reductions in government grant funding.	Various audits are planned within Development Control, Building Control, Revenues and Benefits, Housing and Financial Services. All these services are involved in some form of transformation activity that is intended to increase efficiency and reduce costs.
5	Efficient & Effective Customer Focused Services	Potential for too many priorities and inadequate staff capacity to pursue all priorities / insufficient corporate resources to implement change.	See R4 re work planned in areas undergoing transformation.  Work is also planned to see how well the IDOX system is now being managed by service users.

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

	Risk title	Corporate Risks March 2017	Audit work providing assurance in 2017/18
6	Efficient & Effective Customer Focused Services	Rent Income Reduction has resulted in a Housing Revenue Account which is unsustainable in future years.	Various reports are being followed up in regarding aspects of the housing services.
7	Efficient & Effective Customer Focused Services	Staff morale decreases due to impact of austerity, service reviews and not undertaking core corporate process such as appraisal process.	No work currently planned.
8	Efficient & Effective Customer Focused Services	Adequate business continuity (BC) arrangements in place that mitigate severe disruption to Council services.	Business Continuity is programmed for review in October 2017.
9	Efficient & Effective Customer Focused Services	Failure to deliver key ICT improvement and enhancement projects resulting from contract operating difficulties with Capita.	An IT risk assessment is planned in year plus a review of the IDOX system see R5.

## How We Will Work With You Statement

## Appendix B3

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



## How We Will Work With You Statement

## Appendix B3

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

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

**Note 1** This group includes the Council's Head of Paid Service, Monitoring Officer and Section 151 Officer

**Note 2** All reports to Executive Management Team and the Audit Committee are reviewed by the Strategic Director Transformation & Resources in a line management capacity