



Accountants &
business advisers

Castle Point Borough Council

Annual Audit Letter 2008/09

Report to Members

December 2009



Local Public Services

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<http://www.pkf.co.uk/>

Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party

[Local Government Code of Audit Practice](#)

[Statement of Responsibilities of Auditors and Audited Bodies](#)

1 Executive summary

- 1.1 This Annual Audit Letter (Letter) summarises the key issues arising from the work we have carried out during the year and highlights the key findings that we consider should be addressed by the Council.
- 1.2 We have already reported the detailed findings from our audit work to those charged with governance in the reports documented in the Appendix to this report. We have no additional recommendations for the Council at this time.

Key findings

- 1.3 A summary of key conclusions is included in the table below:

| Area | Conclusion |
|------------------------------------|---|
| Accounts | We issued an unqualified opinion on the financial statements. |
| Value for money conclusion | We issued an unqualified value for money conclusion. |
| Use of resources assessment | Our scored judgements for the use of resources assessment were: <ul style="list-style-type: none"> • 3 for managing finances: performing well • 3 for governing the business: performing well • 2 for managing resources: performing adequately Overall, the Council was assessed as Level 3, performing well. |
| Health inequalities | We are satisfied that the Council and Local Strategic Partnerships are making useful progress in arrangements in place and are progressing with constitutional changes to secure improvements from 2009/10. |

Acknowledgement

- 1.4 Our aim is to deliver a high standard of audit which makes a positive and practical contribution that supports the Council's own agenda. We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit.

2 Introduction

About the Council

- 2.1 The Council has the following vision: “A community delivering excellent public services, where everyone can prosper, be safe and live in a high quality, sustainable environment.” Four ambitions: Environment – Civic Pride; Regeneration and Homes; Improving the Council; and Community Safety underpin this vision which in turn drive the corporate objectives.
- 2.2 The Council serves a population of approximately 89,000 and comprises two urban areas of Canvey Island and the mainland towns which present differing challenges to the Council. There are pockets of significant deprivation within Canvey, and a high number of residents that commute out of the Borough to work which again result in differing priorities for the Council.
- 2.3 The Council provides a number of services such as refuse and recycling, street cleaning, leisure services and housing. Income for the Council is generated from Government grants, Council Tax, interest on investments and from fees and charges for Council services. Capital is invested in the housing stock as the Council progresses towards achieving Decent Homes.

The purpose of this Letter

- 2.4 The purpose of this Letter is to summarise the key issues arising from the work that we have carried out during the year. Although this Letter is addressed to Members, it is also intended to communicate the significant issues we have identified, in an accessible format, to key external stakeholders, including members of the public. The Letter will be published on the Audit Commission’s website at www.audit-commission.gov.uk and also on the Council’s website at www.castlepoint.gov.uk.

Responsibilities of the auditors and the Council

- 2.5 We have been appointed as the Council’s independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England.
- 2.6 As the Council’s external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

The scope of our work

- 2.7 Our main responsibility as the appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (the Code). Under the Code, we are required to review and report on:
- the Council’s financial statements
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

3 Key findings

Accounts

- 3.1 We issued an unqualified opinion on the Council's financial statements on 18 September 2009. Our opinion confirmed that the financial statements presented fairly the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.
- 3.2 We did not identify any significant issues from our review of the Council's accounting and internal control systems, or from our audit of the financial statements. The Council had taken appropriate action to consider the value of their assets in light of the current economic climate and impairment charges had been reflected within the financial statements based upon relevant information from the Council's valuers.

Use of resources

- 3.3 The Code requires us to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. This is known as the "value for money conclusion" and draws on the results of specific risk-based audit work as well as the results of our use of resources assessment.

Specific risk-based work – Health Inequalities

- 3.4 We carried out a specific piece of work based on our assessment of the key risks facing the Council which focussed on partnership working around the health inequalities agenda.
- 3.5 Our objective for 2008/09 was to monitor Local Strategic Partnership (LSP)-level action planning in response to our Essex-wide primary review in 2007/08, reported in March 2008. We have met with officers to discuss progress and to obtain an understanding of high-level actions already being undertaken.
- 3.6 We are satisfied that the Council and LSP are making useful progress in this area, with the work within 2008/09 primarily focusing on review and analysis of arrangements that had been in place and progressing with constitutional changes to secure improvements from 2009/10. We will be undertaking a full scale follow-up in early 2010 when process changes and impact and outcomes will be assessed in more detail.

Use of resources assessment

- 3.7 We are required to assess how well local authorities manage and use their financial resources by providing scored judgements on the Council's arrangements in three specific areas. Our assessment forms part of the Audit Commission's new Comprehensive Area Assessment (CAA) for 2008/09 and is not comparable with 2007/08 or earlier years' scores.

3.8 Our scores for each key line of enquiry are shown below:

| Theme | 2008/09 |
|--|-----------------------|
| Managing Finances | |
| • Planning for financial health | 3 |
| • Understanding costs and achieving efficiencies | 2 |
| • Financial reporting | 3 |
| Theme score | 3 |
| Governing the business | |
| • Commissioning and procurement | 3 |
| • Use of information | 3 |
| • Good governance | 2 |
| • Risk management and internal control | 3 |
| Theme score | 3 |
| Managing resources | |
| • Natural resources | Not scored in 2008/09 |
| • Strategic asset management | Not scored in 2008/09 |
| • Workforce | 2 |
| Theme score | 2 |

3.9 We concluded that the Council has good arrangements in place in respect of managing finances, and governing the business.

3.10 Level 3 overall for managing the finances was awarded because the Council was able to demonstrate sound processes in place that delivered designed outcomes. The Council has well-embedded, sound budget-setting arrangements which involve a range a stakeholders in forming the priorities for areas of spend. Savings plans and efficiencies are identified and the Council has a track record of achievement against these. In-year monitoring of the financial position is sound and risk-rated with comprehensive reporting to budget holders.

3.11 Outcomes included achievement of the budget and a number of the corporate scorecard indicators as the Council continues on its improvement journey. Outcomes against strategic priority areas have been evidenced. The accounts closedown process was well managed and timely and the Council continue to demonstrate their pro-activity in addressing issues in advance of audit review.

3.12 The Council has demonstrated a pro-active approach to governing the business which is acknowledged within the overall Level 3 for the theme, although some areas for improvement have been identified. Procurement is well-managed and monitored through the Procurement Group and the Council has been able to demonstrate involvement of stakeholders in the process. Data quality arrangements are comprehensive and have been improved significantly during the year. The risk around the new national indicator set has been managed effectively with no errors being identified in our spot check work. Risk management, anti-fraud culture and internal control arrangements are areas of strength, with frameworks underpinning strategies to deliver against the objectives.

3.13 The Council performed adequately in scoring a Level 2 in managing resources. This score was awarded to reflect the developing nature of the Council's strategic workforce planning arrangements and because the impact on staff of the restructure has yet to be assessed. We also found that a notable proportion of the documentation and processes were fairly new or in the process of being refreshed, and therefore limited outcomes could be demonstrated across the focus areas within this KLOE.

- 3.14 To strengthen arrangements further, the Council needs to focus on:
- Ensuring that customer feedback/satisfaction surveys become systematic across all key services and action taken to address any issues identified ensuring hard to reach groups are engaged in the process
 - Updating the Workforce Strategy ensuring that it demonstrably aligns to the Corporate Plan identifying what the current staffing levels are and what staff are needed to deliver the priorities over the medium term
 - Improve the links between the Corporate, Service and Workforce planning so that they are all truly integrated.
- 3.15 The results of our use of resources assessment have been shared with the Audit Commission as part of the integrated approach to developing CAA. The results of CAA will be reported separately by the Audit Commission.

Value for money conclusion

- 3.16 Taking into account our work on use of resources, we have concluded that adequate arrangements are in place to secure value for money and provided an unqualified value for money conclusion for the year ended 31 March 2009.

Grants

- 3.17 There were no significant weaknesses identified during our grants work, although a number of issues with the Housing and Council Tax benefits subsidy were identified. These will be separately reported, in accordance with new Audit Commission requirements, to the Audit Committee in early 2010.

Emerging issues

Current economic climate

- 3.18 In view of the potential impact of the recession on property values the Council commissioned its external valuers to carry out reviews of asset values during 2008/09. The Council's asset values were adjusted downwards by approximately £17m as a result of this review.
- 3.19 In response to the continued economic downturn, the Council also carried out a review of its position and the impact of the recession on all aspects of its operation. This identified a number of risk areas such as the continued fall in income from fees and charges. An efficiency strategy is being developed plus two project groups are looking at ways of ensuring financial stability for the Council in the medium term.

Appendix: Reports issued in relation to the 2008/09 audit

| Report | Date Issued |
|-----------------------------|---------------|
| Annual audit plan | May 2008 |
| Use of resources assessment | November 2009 |
| Annual governance report | August 2009 |