

Annual Audit Letter 2011/12

Castle Point Borough Council

OCTOBER 2012



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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 of Audited Bodies](#)

Executive summary

This Annual Audit Letter summarises the findings of the work we have completed in respect of the year ending 31 March 2012.

✓ Accounts

- The financial statements give a true and fair view of the Council's financial affairs and income and expenditure for the year and were properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.
- The Annual Governance Statement was not misleading or inconsistent with other information of which we were aware.

✓ Internal control

- We noted a number of areas where deficiencies in internal controls should be improved or where the control environment could be strengthened, particularly around appropriate evidence for payroll authorisation.
- We were able to rely on the work of Internal Audit.

✓ Whole of Government Accounts

- As the Council is below the reporting threshold for a full review, we completed only a limited assurance review of the Whole of Government Accounts to agree the information included for property, plant and equipment and pensions.

✓ Use of resources

- We are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.
- We issued an unqualified value for money conclusion.

Our detailed findings and recommendations were reported to Management and the Audit Committee in our Annual Governance Report (September 2012).

Introduction

THE PURPOSE OF THIS LETTER

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 the 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.

RESPONSIBILITIES OF THE AUDITORS AND THE COUNCIL

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.

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.

SCOPE OF THE AUDIT

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.

REPORTING THE AUDIT

We provided reports to “those charged with governance” (the Audit Committee) and management on the findings of the audit focusing on key issues regarding internal control, financial governance, accounting arrangements and operational performance. We aim to provide management with clear recommendations to assist with governance and service improvements that will add value to the audit.

Reports issued during the year were:

- Audit Fee Letter issued April 2011
- Grants and certification work (2010/11 returns) issued January 2012
- Annual Audit Plan issued February 2012
- Annual governance report to those charged with governance issued September 2012
- Annual Audit Letter issued October 2012.

ACKNOWLEDGEMENT

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.

Key findings

ABOUT THE COUNCIL

Castle Point Borough Council covers the areas of Canvey Island, Benfleet, Thundersley and Hadleigh. The Council employs around 300 staff directly, and serves a population of approximately 89,000.

The Council's vision is for a community delivering excellent public services, where everyone can prosper, be safe and live in a high quality, sustainable environment. This is supported by four ambitions covering:

- Environment and Civic Pride
- Regeneration and Homes
- Improving the Council
- Community Safety.

ACCOUNTS

Financial statements

We issued an unqualified true and fair opinion on the financial statements on 28 September 2012.

We did not identify any material errors within the financial statements that required correction. One adjustment for £100,000 was made during the course of the audit for housing invoices that had not been appropriately charged to expenditure in 2011/12.

We reported four uncorrected misstatements to the Audit Committee, which we did not consider would have a material impact on our opinion on the financial statements. The impact of correcting for these misstatements would be to increase the charge to usable reserves for the year by £334,000.

The audit was well facilitated and the finance staff were responsive and co-operative. The Statement of Accounts had been prepared to a good standard and comprehensive working papers were available to support the disclosures within the financial statements.

Annual governance statement

We were satisfied that the Annual Governance Statement was not inconsistent or misleading with other information we were aware of from our audit of the financial statements.

INTERNAL CONTROL

We identified instances of non-compliance with the Council's internal controls including a need to update the authorised signatory list for new starter approvals to reflect current staffing arrangements.

We have discussed these with management and those charged with governance and made recommendations for improvement.

In completing this work we reviewed and tested the work of Internal Audit and were able to place reliance on it.

WHOLE OF GOVERNMENT ACCOUNTS

As the Council is below the reporting threshold for a full review, we completed only a limited assurance review of the Whole of Government Accounts to agree the information included for property, plant and equipment and pensions.

The short form assurance statement that we were required to issue for 2011/12 was unqualified.

USE OF RESOURCES

Financial resilience

Our financial resilience work has considered the Council's arrangements for financial governance, financial planning and financial control, including improvements in arrangements over the prior year.

The Council has maintained its good track record of member and officer involvement in reviewing financial matters and consulting on expenditure priorities. Clear leadership is shown in ensuring that the Council's overall financial position is understood within the organisation.

In 2011/12, the General Fund achieved a surplus of £2,357,777, compared with a revised budgeted surplus of £1,499,824, and the Housing Revenue Account achieved a surplus of £32,617.

Challenging economy, efficiency and effectiveness

Our review of economy, efficiency and effectiveness has considered the Council's arrangements for prioritising resources and improving efficiency and productivity.

The required level of cashable savings in order to achieve the Council's budget was achieved in 2011/12. Successes included the renegotiation of one of the Council's recycling contracts and the re-organisation of back office functions including sharing of posts and other joint working arrangements.

The 2012/13 savings amount to £740,700 and include the continuation of saving schemes noted above as well as the savings expected from the renegotiated ICT contract.

The Council has a Programme Board that monitors the performance of the efficiency work programmed that is Chaired by the Leader of the Council in order to benefit from both officer and member engagement.

Budget 2012/13 and beyond

The Council has a balanced budget for 2012/13 with no use of reserves planned in order to meet on-going expenditure. The savings required to balance the budget have been identified and there is no reported funding gap.

In the medium term, there is a significant level of savings required to be delivered, and the Council has an ongoing programme to identify and deliver the necessary efficiency savings.

Challenges facing the Council include the localisation of support for Council Tax which is due to be implemented in April 2013. Central Government funding is due to be cut by 10%, which for Castle Point amounts to approximately £736,000, and therefore the Council needs to determine discounts, or benefits, to be offered to residents and the affordability of those as part of the budget setting process. The level of savings the new scheme needs to deliver is estimated to be £1.1 million for Castle Point. The Council is working with other Essex authorities on future arrangements and project plans and a draft local scheme has been completed.

Overall the Council is well placed to manage the delivery of the required savings over the next few years and has sufficient flexibility in its reserves to remain financially resilient.