

APPENDIX 4

CPA – Audit judgements – Action Plan

Level 4 Target		Evidence of current assessment	Action plan to achieve/maintain level 4	Progress
1.1.1	Revenue and capital budget assumptions are based on projections about pay, inflation and the challenges facing the authority and all cost savings are identified, assessed for achievability and planned in advance. Known developments are anticipated.	The budget is prepared on a three-year basis. Changes to services are built into the strategy. There are no unidentified cost savings in the budget. Known developments are included. See 2003/04 budget strategy documents.	Introduce a formal process for the assessment of achievability	
1.1.2	The revenue and capital budgets are integrated	The budget report covers the integration of revenue and capital – see Budget Strategy 2003/04	Continue to develop links for future budgets	
1.1.3	There is evidence of a risk assessment of material items of income and expenditure.		Introduce risk assessment of material items of income and expenditure	Report to O & S in Sept.
1.1.4	The risks are reported to members as part of the budget setting process.		Involve members in the determination of a risk based assessment of the budget	From above report
1.2.1	The capital programme is based on the needs across all services set out in the asset management plan.	Capital Programme is a corporate document	Improve links for the Capital Programme with the Asset Management Plan/capital strategy	
1.2.2	How the capital programme will be financed is agreed and is affordable	See the capital programme for 2003/04	Risk assessment of budgets will include the Capital Programme	Report to O & S in Sept.
1.2.3	Revenue consequences of the capital programme are evaluated.	See the budget strategy report for 2003/04. This shows the revenue consequences of the capital programme	Continue to develop links for future budgets	
1.2.4	The authority is planning to maximise the availability of capital resources by seeking funding from external agencies and/or partners	The Capital programme 2003/04 includes funding partnerships for the following <ul style="list-style-type: none"> • IS/IT Strategy – Government funding • Leisure 	Produce evidence that other funding is maximised	

		premises – partnership with Holmes Place <ul style="list-style-type: none"> • Rayleigh Windmill – Lottery bid • Town Centre Improvements – partnership with ECC and Parishes • West Street improvements – Partnership with building trust • Crime & Disorder – Government funding and Parish partnership • Cherry Orchard Country Park – Grant funding and Thames Gateway • Football Pitch drainage – Lottery bid 		
1.3.1	Revenue and capital budgets are assigned to individual managers and form part of their performance assessment.	The budget book and the capital programme both show the relevant manager	Identify key targets following risk assessment of budget Introduce the performance of the revenue and capital budgets into managers performance assessment	
1.3.2	Individual managers monitor revenue and capital budgets at least monthly, with formal summaries prepared with input from relevant finance staff.	See budget monitoring file in accountancy	Introduce confirmation that managers are monitoring their budgets monthly Introduce key action point for managers for budget action	HOS to sign acceptance that report read and all appropriate action taken
1.3.3	Members receive financial information, which is relevant, understandable and consistent with underlying financial records. The frequency of reports to members is determined by the risk assessment of the budget.	Members receive financial information on the total budget twice per year.	Introduce risk based reporting to members Obtain confirmation of their requirements	Report to O & S in September

1.3.4	Expenditure and income are monitored and reported separately.		Discuss with auditors definition of this requirement	
1.3.5	Where needed, action plans to deal with variances from budget are prepared and progress is monitored at departmental level and, in summary form, by members.		Following risk assessment of budget – introduce action plans to deal with material issues Introduce monitoring system for departments Produce summary reports for Members	
1.4.1	In at least two of the last three years the authority performed to or under its original budget, with no evidence of reductions in range of services and/or evidence of improvements in the range of services. Planned contribution to reserves achieved. There is no history of underspending which could imply too generous budgets being set.	External Audit are aware of our compliance with this objective	Discuss with auditors the definition of this requirement to agree that we comply	
1.4.2	There are targets set for income collection and arrears, which are monitored, reported to managers and members and action taken when needed.	Targets are set for collection of income and management of arrears. However corporate documents need improvements	Identify key targets for monitoring through a risk-based process. Agree reporting requirements for managers and Members	
1.4.3	The reasons for, and consequences of, over/under spending are taken into account when setting subsequent budgets.	See statement on the preparation of the budget and how past performance is taken into account (Accountancy)		
1.5.1	EITHER: There is a financial risk management process operating which the authority uses: to justify a low level of reserves; to determine its minimum level of reserves; and to adhere to this level. OR: The aggregate of the following items General Fund balance; Other earmarked GF revenue reserves; and Liabilities not recognised in the financial statement *2is expected to be in surplus at 31 March 2002, and the GF balance is expected to be at least equal to 5% but not more than 100% of forecast	General fund balance now set at 10% of net operating expenditure. See budget strategy papers All material reserves are linked to a service or financial strategy		Monitor budget strategy to ensure that target for balances is delivered.

	<p>2002/03 net operating expenditure plus the authority's Bellwin Threshold.</p> <p>*4. There are plans agreed by members on how to use these reserves, which link to the council's medium term financial strategy; and funding of the capital programme</p>			
2.1.1	<p>Management monitors the operation of financial systems through:</p> <ul style="list-style-type: none"> • key controls; • performance measures • validating information against data from other sources/systems; and <p>Takes corrective action where necessary.</p>	<p>See the following documents</p> <ul style="list-style-type: none"> • Accountancy – General Ledger procedure guide • Audit programme • Cash and Bank reconciliation 	Identify appropriate performance measures based on a risk management approach	
2.1.2	<p>Internal audit reviews all high-risk financial systems each year and medium risk financial systems on a cyclical basis.</p>	<ul style="list-style-type: none"> • See internal audit programme • See External audit management letter 	Ensure that future plans cover high risk areas	
2.3.1	<p>There are arrangements for risk identification, assessment and management in place for all key financial and operational risks which include:</p> <ul style="list-style-type: none"> • Formal identification of risks • Mapping of risks to internal controls and to budgets and resource allocations • Changing behaviour and resources allocation in response to clarifying risks • Monitoring the effectiveness of the internal controls through key indicators • Comparison with peer authorities 		<ul style="list-style-type: none"> • Introduce risk management process • Mapping of controls in place and resources allocated • Show evidence of changes introduced following risk identification • Identify key indicators • Set up Essex Districts comparison through Essex Financial Managers Group 	Report to O & S

2.3.2	Involvement of members in determining key risks and response		Link with risk management approach to services and budget and involve Members in the determination of key risk areas and the reporting requirements	Report to O & S in September
2.3.3	Risk register in place, which is reviewed and updated.		Risk Registers being compiled	Work underway
3.3.1	<p>The Authority has all the following in place. The operation of treasury management arrangements has been evaluated and agreed recommendations arising implemented.</p> <ul style="list-style-type: none"> • The adoption of the four clauses on treasury management (Part 5 of the Code) as part of standing orders, financial regulations or other formal policy documents. • The adoption of a treasury management policy statement (Part 6 of the Code) • The adoption of treasury management practices in the following areas based on Part 7 of the Code: <ol style="list-style-type: none"> (1) Risk Management. (2) Best value and performance measurement. (3) Decision making and analysis. (4) Approved instruments, methods and techniques. (5) Organisation issues. (6) Reporting and management information. (7) Budget, accounting and audit arrangements. (8) Cash flow management. (9) Money laundering. (10) Staff training and qualification. (11) Use of external service providers. (12) Corporate governance. 	<ul style="list-style-type: none"> • See report to Committee • See Treasury Management policies • See Treasury Management Practices 		
4.1.1	In at least two of the last	Comply - See		

	three years the accounts were prepared and approved by members by 30 September.	Committee dates and external audit management letter 2001/02		
4.1.2	Draft accounts prepared earlier than planned		Discuss with auditors the definition of this requirement	
4.2.1	Accounts presented for audit contained only trifling errors (SAS 610 revised). Extant accounting guidance and professional guidance followed	See external audit management letter 2001/02	Discuss with external auditors. Introduce check procedure before submission to external audit	Target set for YW
4.3.1	All working papers requested by the auditor were provided, and helped the auditor to reduce the resources needed for the final accounts audit.	See external audit management letter 2001/02	Introduce check procedure before submission to external audit	Target set for YW
5.1.1	The roles and responsibilities of the monitoring officer and section 151 officer are documented.	See the constitution	Review documented roles and responsibilities Clarify role of Corporate Director (Finance and External Services) and Head of Financial Services	CMB – under discussion
5.1.2	These roles are understood by staff and across the authority.	Small staff structure with a centralised finance function	Improve knowledge across Authority	
5.1.3	The officers have high status in the senior management structure, ensuring that the legality of significant financial transactions is addressed.	S 151 is on Management Board. Deputy S 151 is a Head of Service		
5.1.4	Members and other staff seek their advice when developing novel or potentially unlawful courses of action.	Items requiring advice are picked up either by direct consultation or through the Committee process	Improve knowledge across Authority	
5.2.1	The monitoring/s 151 officers are in a position to become aware of and challenge potential unlawful decisions. They are proactive and act before concerns are brought to their attention by others.	Both are on CMB. In addition the Council has a central ordering process to help pick up items requiring attention		
5.2.2	The legality of financial transactions is considered as part of the decision making process in a formal and structured way.	Through the operation of CMB, OMT and the Committee report process items are considered		