

## GOVERNANCE AND AUDIT COMMITTEE

13 March 2023

*Present:-* Councillor Paul Smith (Chair)  
Councillor Dave Harris, Councillor Sam McCarthy,  
Councillor Chris Pearson, Councillor Rhys Smithson,  
Councillor Barbara Wood

*Substitutions:* Councillor Sunnucks for Councillor Naylor

*Also Present:-* Councillor David King

### **355. Honorary Alderman Eligibility Criteria**

The Committee considered a report asking that it considered a proposal to amend the eligibility criteria for the conferment of the title of Honorary Aldermen of the City of Colchester on former Councillors.

Andrew Weavers, Monitoring Officer, attended the meeting to introduce the report and assist the Committee with its enquiries. The Committee was advised that there had been a typographical error in the paragraph 4.4 of the report, which stated that “the proposal was full discussed”, when it should have stated “the proposal was fully discussed”.

Alderman Bober, the Chair of the Honorary Alderman Group, attended the meeting and addressed the Committee in accordance with the Council’s Have Your Say! provisions. The Committee heard that the proposals which were contained within the report had come as a bolt out of the blue to existing Aldermen, as they had spent some time reviewing the Aldermanic Criteria themselves and believed that their approved criteria had been signed off by the Portfolio Holder. The current criteria worked well, were tried and tested, and there was no reason to alter them.

Addressing the suggested alterations to the criteria, Alderman Bober considered that the position of Leader of the Council was a political appointment by a ruling group whereas the appointment of Aldermen was linked to civic endeavour and service and not political affiliation. Although in some areas of professional or military life it was possible to make posthumous awards, it was not considered that this approach was necessary or appropriate for Aldermen who had carried out a civic duty. Alderman Bober considered that the current length of service criteria were correct, as they established the criteria for exceptional service and created a uniqueness which was special to Colchester. The changes which had been proposed to the Committee, in

the view of the current Aldermen, undermined that status, and were being proposed to pacify ex-Councillors who did not meet the current criteria, which was inappropriate.

Alderman Sir Bob Russell attended the meeting and addressed the Committee in accordance with the Council's Have Your Say! provisions. He endorsed all the points which had been made by Alderman Bober, and further considered that the proposals should not have been brought before the Committee as the views of the current Honorary Aldermen had not been sought, which was discourteous and disrespectful. The Local Government Act 1972 enabled Councils' to appoint Honorary Alderman in recognition of their service, and Colchester Council had taken the view that this appointment would be given only to those who had served as Mayor, before the criteria were relaxed to allow Councillors with at least 20 years' service, which was exceptional service, to be appointed as Aldermen. Both of these criteria were non-political, whereas the Leader of the Council was a political appointment. Alderman Sir Bob Russell also queried the source of the proposals, noting that the Committee had been advised that the 4 Group Leaders of the Council had approved the proposals, but when he has spoken to members of the Green and Liberal Democrat Groups, they had not been aware of the proposals. He called on the Committee to reject the proposals which had been placed before it.

Alderman Sonia Lewis attended the meeting and addressed the Committee in accordance with the Council's Have Your Say! provisions. She requested that the Committee consider the implications of what was being proposed, and advised the Committee that she had confirmation from the Leader of the Conservative Group at the Council that this Group was due to discuss the proposals at its meeting on 20 March 2023, and had not yet agreed them. This was at odds with the suggestion that the Aldermen had been told that Group Leaders were supportive of the proposed changes. Her personal opinion was that the requirement for 20 years' of service was perhaps slightly too long, however, at a recent Aldermen meeting, 10 Aldermen of the 11 who were present had voted against the proposals, with only 1 vote in favour of them.

Alderman Theresa Higgins attended the meeting and addressed the Committee in accordance with the Council's Have Your Say! provisions. She explained to the Committee that at the recent Aldermen, hers had been the vote in favour of the proposals. She explained to the Committee that she was also an Alderman of Essex County Council, and this title was bestowed on Councillors after 16 years, or 4 full terms of service. She considered that the proposals which were now before the Committee were as a result of some current Councillors feeling that 20 years' service was far too long, and some members of the Council would relish being an Alderman if they retired after 16 or 17 years' service. The title was a very honourable one, however, Alderman Higgins did not consider that in the future there would be many Councillors who would serve the full 5 terms of office that were currently required, and thought that the minimum length of service should be reduced to 16 years in line with the requirements of Essex County Council. She was not against giving the title of Honorary Alderman posthumously, however, she would not support awarding the title to past Leaders of the Council.

Councillor Smith, as Chair of the Committee, welcomed the comments that had been made by the Honorary Aldermen at the meeting, considering that the effort that had been made in attending the meeting to address the Committee was a very favourable reflection on the esteem in which the title of Honorary Alderman was held. He clarified that the matter had been brought before the Committee as the result of a request that he had made when he had assumed the role of the Chair of the Committee, as he was conscious that the rules had not been reviewed for a considerable period of time. It was right that the rules were periodically reviewed, particularly in the light of the reduction in the number of City Councillors which had occurred, to ensure that the rules remained relevant and met the needs of the Council. His personal view was that the length of service should be reduced in line with the reduction in the number of Councillors. He further believed that since the introduction of the Cabinet system, the role of elected Leader had been a very demanding one, and wondered whether it was appropriate to reflect that route of service as well?

A Committee member confirmed that there had been some discussion among the Labour Group about the proposed changes to the eligibility criteria at its most recent meeting, but that a clear consensus had not been reached in the Group.

The Committee noted and welcomed the comments which had been made by visiting Aldermen, and careful consideration was given to the points which had been made. In discussion, the Committee accepted that the eligibility criteria for Aldermen had been changed in the past, and it was recognised that there was no consensus among other Local Authorities, with the length of service being required by some being as short as 8 years. Given the changes which had been made to the number of Councillors who were elected each year, and potential future changes which could be made, for example in relation to ward boundaries, the Committee was satisfied that it was appropriate to recommend that the length of service required be reduced to 16 years.

The Committee expressed reservations with regard to the suggestion that former Leaders of the Council be automatically considered for eligibility, and it was suggested as a compromise that the highly demanding nature of the role of Leader be recognised in some form. It was therefore proposed that the criteria be amended to state that any Councillor who had held the role of Leader of the Council for a total combined period of at least 4 years, be considered eligible, provided that they had also served as a Councillors for a minimum of 8 years. It was not necessary for the years of service to be consecutive.

No support was offered by the Committee for the suggestion that the title of Honorary Alderman should be bestowed on qualifying Councillors posthumously.

*RECOMMENDED TO COUNCIL* that:

The eligibility criteria for Honorary Aldermen be amended to be:-

Former Councillors who have either:-

- i) Acquired at least 16 years' service as Members of the Council; or
- ii) Who have held the office of Mayor of the City; or
- iii) Who have held the office of Leader of the Council for a combined period of at least 4 years, and who have additionally acquired a minimum of 8 years' service as a Member of the Council.

### **356. Mid-Year Internal Audit Assurance Report 2022-2023**

The Committee considered a report summarising the performance of Internal Audit, and detailing the audits undertaken, between 1 April and 30 November 2022.

Hayley McGrath, Corporate Governance Manager, attended the meeting to introduce the report and assist the Committee with its enquiries. An effective Internal Audit service had been provided in the first 6 months of the year by the Council's Internal Auditors TIAA, with some of the larger audits yet to be carried out as these would be used to provide assurance for the Council's statement of accounts. Of the 10 audits which had been completed, 3 had received a substantial assurance rating, the highest which could be obtained. A single audit had not received a rating, as it had been appreciated that improvements needed to be made to the system and support had been requested to review this, and provide guidance on necessary future improvements. Actions highlighted by the Council's auditors, TIAA, were set out in the report provided, but shortages of staff and other pressures had meant that not all the recommended actions had yet been completed. These actions would be completed by the end of the financial year, and would be contained in the year end report which would be presented to the Committee in June 2023. The remaining audits which had been carried out had received a reasonable assurance rating which was good, and meant that systems were operating as they should be.

In discussion, the Committee wondered whether a key man dependency risk had been included in the Risk Register? It further wondered whether conflicts of interests which may be generated by secondary employments were assessed, and whether any issues had been found. The Corporate Governance Manager confirmed that there was always a risk of dependency on individuals, particularly in technical roles, which was reflected and accounted for in the Council's Operational Risk Register. Olufolake Mustafa of TIAA, attended the meeting remotely and advised the Committee that she had carried out an audit into secondary employment of Council staff, with the purpose of the audit being to determine whether or not staff had been approved to carry on with secondary employment, and there was no conflict with their role at the Council. The results of this audit had been satisfactory, and for this reason no recommendations had been made. Fiona Roe of TIAA confirmed to the Committee that a more in-depth review of Council staff who undertook secondary employment was planned for the forthcoming year, which would tie in with planned audit work around sickness absence.

A Committee member was pleased to note that the focus of the audits seemed to be very operational in nature, but wondered whether real problems could be missed through focussing primarily on processes, and whether more granular detail would

be helpful in future. The Corporate Governance Manager confirmed that where any concerns had been raised, then audits would be carried out on individual systems in great detail, and Councillors were encouraged to raise any issues or concerns which they had for further examination in this way. It was intended to use internal audits in a supportive manner to help address any issues which were raised, and to encourage a collaborative and positive mindset in the authority when considering the role of Internal Audit.

It was confirmed to the Committee that the Portfolio Holder was kept fully up to date with regard to the progress against outstanding actions as a result of the recent fraud and corruption audit.

*RESOLVED* that:

- The internal audit activity for the period 1 April – 30 November 2022 had been reviewed and commented on.

### **357. Internal Audit Plan 2023/2024**

The Committee considered a report requesting that it approve the proposed annual plan setting out the key areas to be covered by internal audit during the next financial year.

Hayley McGrath, Corporate Governance Manager, attended the meeting to introduce the report and assist the Committee with its enquiries. The Committee was advised that the Council employed a 5 year rolling programme of internal audits which was set at the time the Council's external contractors, TIAA, were appointed to carry out internal audit work. The programme was subject to an annual review and update to ensure that audits which had been identified previously were still appropriate to be carried out in the forthcoming financial year, or whether changes were required. For the financial year 2023/2024, the audit programme was very similar to what had been anticipated when the contract started, however, it was anticipated that the Council's new management structure would be subject to audit when it had been implemented during the year.

The Internal Audit Plan contained details of annual audits which were required to be carried out to support the Council's statement of accounts, and additionally joint audits were planned with Colchester Borough Homes (CBH), as well as audits undertaken on behalf of Colchester Commercial (Holdings) Limited (CCHL). CBH had its own internal audit programme which was delivered by TIAA under a separate contract, and some of the Council's audit days were made available to CCHL.

In discussion, the Committee wondered whether audits which were statutory or mandatory could be highlighted in the future, and was the allocated time of 15 days to complete each audit sufficient, or was there the potential for altering the programme to allow a more in-depth audits to take place? It was noted that there were a number of financial audits planned, would these be able to be completed in

the absence of a S.151 Officer at the Council? The Corporate Governance Manager confirmed that the average time dedicated to an individual audit was 15 days, but some are more in-depth, with areas of higher concern benefitting from longer audits as required. The Committee was assured that the Council's finance Officers and the systems which were in place enabled the carrying out of internal audits even with an interim S.151 Officer in post, and the Committee was assured by the Monitoring Officer that an interim s.151 Officer would be appointed in the very near future.

Fiona Roe of TIAA, confirmed to the Committee that taking more days for more in-depth audits was something that could be considered, and the Council's new management structure may facilitate this. At the present time, however, the number of days which were dedicated to audits was felt to be sufficient for the needs of each audit area.

With regard to Colchester Commercial (Holdings) Limited (CCHL), the Committee heard that the number of audit days which had been assigned to the company could be increased if need be, and work was ongoing with the interim Managing Director of the company to ascertain what future needs may be, to ensure that these were fully met.

In response to questions from a member of the Committee, the Corporate Governance Manager confirmed that audits of the balance sheets of were included in the Internal Audit programme, and that the audit days which had been assigned to CCHL could be used for their management areas as required. Wastage in the organisation was considered as part of every audit which was carried out, and any concerns raised were included as part of the report.

The Committee was impressed with the layout of the reports which are easy to interpret and understand.

*RESOLVED* that:

The suggested Internal Audit plan for 2023/24, as presented to the Committee, be agreed.

### **358. Interim Review of the Annual Governance Statement 2021/2022 Action Plan**

The Committee considered a report reviewing the implementation of the actions highlighted on the 2021/22 Annual Governance Statement (AGS), which was reported to the Governance and Audit Committee in June 2022. The report included an action plan for issues to be resolved during the current financial year.

Hayley McGrath, Corporate Governance Manager, attended the meeting to introduce the report and assist the Committee with its enquiries. There had been 3 items identified in the AGS this year; procurement, external audit implications and company governance. The Committee was very well aware of the issues which had been experienced with external audits in Local Authorities across the country, and over which the Council had little control. In terms of the Council's procurement

systems, internal audit had been requested to carry out a follow-up audit and the result of this would be presented to the Committee. With regard to the governance of the Council's wholly owned companies, external reports had been generated which would be presented to the Committee, together with an action plan detailing how recommendations in the reports would be implemented.

Following concerns raised from the Committee that the Council should be more proactive in tackling the problems which had been caused by the failure of the Council's external auditors, the Committee heard that the Chair and Deputy Chair had met with other members of the Committee to complete a review of what they had thought of the problems with the external audit process. The comments which had been submitted as part of this review had been extremely unflattering, and highlighted the obvious issues which had been experienced, and it was unfortunate that the Council's external auditors, BDO, had been the poorest performing of Local Authority external auditors.

The Committee noted that the recommendations which had been made with regard to the Council's procurement systems had yet to be fully implemented, and requested that a further report was presented to it to provide assurance that this work was underway and would be completed.

*RESOLVED* that: -

The work undertaken to implement the current Annual Governance Statement action plan had been considered and commented on.

### **359. Risk Management Progress Report**

The Committee considered a report which provided it with an overview of the Council's risk management activity during the period from 01 April to 30 September 2022.

Hayley McGrath, Corporate Governance Manager, attended the meeting to introduce the report and assist the Committee with its enquiries. The report which was presented to the Committee was an interim report, and an in-depth review of the Council's Risk Management progress would be presented to it at the start of the new municipal year. Changes to the Committees' work programme in this municipal year had meant that the report had been delayed, however, the most up to date Risk Register was presented to the Committee, and this had been agreed by the Council's Senior Management Team.

The attention of the Committee was drawn to what were perceived to be the current key risks, including the Council's partners and the impact which they had on the delivery of Council services, funding, cyber security, staff wellbeing and the impact of the current cost of living crisis. The new management structure of the Council was being considered from the point of view of governance and risk, and the new Senior

Leadership Board of the Council was very keen to ensure that the Council's governance programme was suitable for the future.

The Committee heard that an unannounced spot check had been carried out on the Council's Waste Services Depot by the Corporate Governance Manager and the Council's Health and Safety Officer which simulated a real Health and Safety Executive (HSE) investigation into a fatality. The process had been designed to be challenging and had been extremely useful, tying in with the Council's operational risk management processes.

Work had been undertaken to assess the insurance risk which was posed by the large scale development taking place at the Northern Gateway site. to consider what the insurance requirements were with the developers and managing agents for the site to ensure that liability and responsibility was determined, and the insurance risk properly managed.

An internal audit of the Council's risk management function had been carried out in September 2022 which had received a reasonable assurance rating, and which had generated 4 recommendations. All the recommendations had been agreed and implemented as part of the governance processes of the Council. The Council's Risk Management Strategy had been agreed by Cabinet and Full Council without amendment, and the Council's Policy Framework had been updated accordingly.

The attention of the Committee was drawn to the Council's current Strategic Risk Register which was appended to the report. The Register had been reviewed by the Council's Senior Management Team in December 2022, and two changes had been made as a result of this. The first was to risk ST4, the ongoing and recovery impacts of the Covid-19 pandemic, which had been downgraded as it was felt that should a situation similar to the pandemic occur in the future, the Council's systems and processes had been improved to the extent that the Council would be in a far better position to respond to it. The second risk which had been amended was risk CO3, financial inequality, as it was felt that the changes which had been made in the Council's Customer Team to focus on financial and employment support for customers had prevented the need for prevention crisis in many cases. It was, however, recognised that pressures caused by the current cost of living crisis had created an increased need for Council services, and the impact of this had caused the associated risk level with this to be raised from a '3' to a '4' in the Risk Register.

In response to questions from a member of the Committee, the Corporate Governance Manager explained that with regard to risk CO3, although mitigating steps which had been taken would serve to reduce the impact of the risk, the probability of the risk occurring remained unchanged which lead to its final rating. In respect of risk EF1, this had last been assessed in December 2022, since when the position had changed, and this would be considered again by the Senior Leadership Board when the Register was next considered and updated.

Councillor King, Leader of the Council and Portfolio Holder for Strategy attended the meeting, and, with the permission of the Chair, addressed the Committee. The risk which had been identified with regard to the Council's Capital Programme was of



particular importance as it represented real and continuous challenges in delivering projects of real significance to the city. Regular conversations with project managers had provided Councillor King with a great deal of assurance, and he considered that the Council's Officers were skilled at bidding for funding, and would now focus on delivering the projects which were ongoing through the review. Progress in Capital Programme was being made, and the Council's best Officers were looking at this very closely.

In discussion, the Committee enquired whether the Council would be penalised for failure to deliver capital projects on time due to clauses in contracts with third party contractors, and Councillor King confirmed that the Council was not in this position at present. The current focus was not to change the direction of projects which were currently underway, but to ensure that those projects were effectively managed, and the associated risks and issues were understood.

A Committee member wondered whether detailed appraisals of all the major items on the Council's Capital Programme items as part of its ongoing review? It had been difficult for them to obtain such appraisals, and it was considered essential for this Committee to consider these in detail. Significant risks were foreseen for the Council in regard to its foray into property development in areas such as the Northern Gateway site and the proposed garden community, and it would be useful to see the Register reflect this. In response, the Corporate Governance Manager explained to the Committee that the Council's project risk management process was separate to, and reported differently, to the Strategic Risk Register. The Council's project management process was very detailed, and consideration would be given to providing the Committee with some more information about this process in the future, which would provide more information than was contained in the Strategic Risk Register. Councillor King confirmed that a more formal process for considering the Council's project management work was something which he was currently considering, however, he reminded the Committee that good process was being applied and would go through Committees at the right stage. A Committee member suggested that it may be appropriate that the Governance and Audit Committee consider progress which was being made in respect of the Council's joint Garden Community project on an annual basis. A Committee member emphasised their concern that the Council had been placed at greater risk than other participants in the Garden Community project, and reminded the Committee that a significant risk on the Risk Register had been identified as arising from third parties and the Council's partners.

*RESOLVED* that:

- the Council's progress and performance in managing risk during the period from April to September 2022 be noted
- the current Strategic Risk Register had been considered and noted

### **360. Annual Review of Business Continuity**

The Committee considered a report providing Members with an overview of the of the Council's business continuity activity for the period from 01 January 2022 to 31 December 2022.

Hayley McGrath, Corporate Governance Manager, attended the meeting to introduce the report and assist the Committee with its enquiries. The Committee heard that the Council's business continuity was an internal process designed to ensure that the Council was able to continue to deliver key services in the light of an unexpected internal event. It was closely related to the Council's emergency planning function, which was the Council's ability to respond to an incident outside the Council but within the city boundaries.

There was no constitutional requirement for the Committee to consider the Council's business continuity plans, however, it was considered good practice that the Committee was asked to consider these as part of the Council's risk management process. The Committee was invited to consider the report which had been presented to it, and to endorse the Business Continuity Strategy for 2023. The Council's current focus was ensuring that each service area had robust plans in place, which had been tested and reported to the Council's senior management team. In the event of a major incident taking place, the Council's services had been divided up into critical and non-critical services, and these were set out in the Appendices to the Strategy.

An e-learning course was being prepared for all staff to help them understand relevant business continuity requirements and what their role would be in delivering services. In-person training had been delivered to Helpline staff on business continuity and emergency response procedures, as the role played by Helpline out of normal business hours would be critical to the Council's initial response to an incident.

In discussion, the Committee requested that the wording in Appendix 1 to the Strategy detailing Member roles and responsibilities for business continuity be amended to read "recommended by Officers", as opposed to "determined by Officers", and requested that consideration be given to an alternative wording for the phrase "united approach to recovery" as it considered that it may not always be possible politically for Councillors to present a wholly united approach. The Committee was, however, pleased to note the inclusion of Members in the Strategy and wondered whether it would be useful to include Cabinet in any future tabletop exercises designed to test the Strategy.

In response to a question from the Committee, the Corporate Governance Manager confirmed that the Council's response to the Coronavirus pandemic had served to demonstrate how flexible and adaptable the organisation was. In general, the Council's initial approach and business continuity had been very good, with swift adoption of home working and online meetings, and the greatly accelerated roll out of new software to facilitate this. Although it was accepted that it would always be possible to improve performance, the continuation of Council services at a time when

many other Councils had ceased to provide similar services demonstrated the Council's dedication to supporting communities through business continuity.

The Committee considered that the Council had responded very well to the pandemic, and Officers should take credit for this. It further considered that the success of the response should be brought forward in the Strategy as this would serve to offer assurance to Councillors that should another major incident occur, the Council was well placed to respond to it effectively.

*RESOLVED* that:

- the Business Continuity Strategy for 2023 be endorsed.

### **361. Work Programme**

The Committee considered its work programme for 2022-23.

Matthew Evans, Democratic Services Officer, attended the meeting to introduce the report, and assisted the Committee in its deliberations.

*RESOLVED* that:- the contents of the report be noted.