

Governance and Audit Committee Meeting

**Grand Jury Room, Town Hall, High Street,
Colchester, CO1 1PJ
Tuesday, 21 June 2022 at 18:00**

The Governance and Audit Committee considers and approves the Council's Statement of Accounts and reviews the Council's annual audit letter. The Committee also deals with the Council's governance, risk management and audit arrangements. To make recommendations to the Council on functions such as Elections and bye laws, and determine Community Governance Reviews.

Information for Members of the Public

Access to information and meetings

You have the right to attend all meetings of the Council, its Committees and Cabinet. You also have the right to see the agenda (the list of items to be discussed at a meeting), which is usually published five working days before the meeting, and minutes once they are published. Dates of the meetings are available here:

<https://colchester.cmis.uk.com/colchester/MeetingCalendar.aspx>.

Most meetings take place in public. This only changes when certain issues, for instance, commercially sensitive information or details concerning an individual are considered. At this point you will be told whether there are any issues to be discussed in private, if so, you will be asked to leave the meeting.

Have Your Say!

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Access

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Governance and Audit Committee - Terms of Reference (but not limited to)

Accounts and Audit

To consider and approve the Council's Statement of Accounts and the Council's financial accounts, and review the Council's external auditor's annual audit letter.

Governance

To consider the findings of the annual review of governance including the effectiveness of the system of internal audit and approve the signing of the Annual Governance Statement.

To have an overview of the Council's control arrangements including risk management and in particular with regard to the annual audit plan and work programme, and to approve the policies contained in the Council's Ethical Governance Framework.

Other regulatory matters

To make recommendations to Council on functions such as elections, the name and status of areas and individuals, and byelaws.

To determine and approve Community Governance Reviews.

Standards in relation to Member Conduct

To consider reports from the Monitoring Officer on the effectiveness of the Members' Code of Conduct, and to advise the Council on the adoption or revision of the Code.

To receive referrals from the Monitoring Officer into allegations of misconduct and to create a Hearings Sub-Committee to hear and determine complaints about Members and Co-opted Members referred to it by the Monitoring Officer.

To conduct hearings on behalf of the Parish and Town Councils and to make recommendation to Parish and Town Councils on improving standards or actions following a finding of a failure by a Parish or Town Councillor.

To inform Council and the Chief Executive of relevant issues arising from the determination of Code of Conduct complaints.

To grant dispensations, and to hear and determine appeals against refusal to grant dispensations by the Monitoring Officer.

To make recommendations to Council regarding the appointment of Independent Persons.

General

To review of the Constitution including governance issues around formal meetings, processes and member training and to make recommendations to Council.

COLCHESTER BOROUGH COUNCIL
Governance and Audit Committee
Tuesday, 21 June 2022 at 18:00

The Governance and Audit Committee Members are:

Councillor Paul Smith	Chair
Councillor Chris Pearson	Deputy Chair
Councillor Dave Harris	
Councillor Sam McCarthy	
Councillor Rhys Smithson	
Councillor Dennis Willetts	
Councillor Barbara Wood	

The Governance and Audit Committee Substitute Members are:

All members of the Council who are not Cabinet members or members of this Panel.

AGENDA
THE LIST OF ITEMS TO BE DISCUSSED AT THE MEETING
(Part A - open to the public)

Please note that Agenda items 1 to 6 are normally dealt with briefly.

1 Welcome and Announcements

The Chairman will welcome members of the public and Councillors and remind everyone to use microphones at all times when they are speaking. The Chairman will also explain action in the event of an emergency, mobile phones switched to silent, recording and broadcast of the meeting. Councillors who are members of the committee will introduce themselves.

2 Substitutions

Councillors will be asked to say if they are attending on behalf of a Committee member who is absent.

3 Urgent Items

The Chairman will announce if there is any item not on the published agenda which will be considered because it is urgent and will explain the reason for the urgency.

4 Declarations of Interest

Councillors will be asked to say if there are any items on the agenda about which they have a disclosable pecuniary interest which would

prevent them from participating in any discussion of the item or participating in any vote upon the item, or any other pecuniary interest or non-pecuniary interest.

5 Minutes of Previous Meeting

The Councillors will be invited to confirm that the minutes of the meetings held on 8 March 2022 and 25 May 2022 are a correct record.

Draft minutes - 8-03-2022

7 - 16

Draft minutes - 25-05-2022

17 - 18

6 Have Your Say! (Hybrid meetings)

Members of the public may make representations to the meeting. This can be made either in person at the meeting or by joining the meeting remotely and addressing the Council via Zoom. Each representation may be no longer than three minutes. Members of the public wishing to address the Council remotely may register their wish to address the meeting by e-mailing democratic.services@colchester.gov.uk by 12.00 noon on the working day before the meeting date. In addition a written copy of the representation will need to be supplied for use in the event of unforeseen technical difficulties preventing participation at the meeting itself.



There is no requirement to pre register for those attending the meeting in person.

7 Head of Internal Audit Annual Report 2021/22

19 - 32

The Committee will consider a report summarising the findings of the Internal Audit function for the financial year 2021/2022.

8 Review of the Governance Framework and Draft Annual Governance Statement

33 - 44

The Committee will consider a report relating to the Council's duty to produce an Annual Governance Statement, that reviews the effectiveness of the Council's internal control systems for the 2021/2022 financial year, and which is required for the 2021/2022 Statement of Accounts.

9 Work Programme 2022-2023

45 - 48

The Committee will consider a report setting out the proposed work programme for the forthcoming municipal year.

Exclusion of the Public (not Scrutiny or Executive)

In accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).

Part B
(not open to the public including the press)

GOVERNANCE AND AUDIT COMMITTEE

8 March 2022

Present:- Councillor Michelle Burrows, Councillor Adam Fox,
Councillor David King, Councillor Dennis Willetts
(Chairman)

Substitutions: Councillor Lewis Barber for Councillor Kevin Bentley
Councillor Jackie Maclean for Councillor Hayter
Councillor Tate for Councillor Barbara Wood

Also Present:-

304. Welcome and Announcements

Councillor Willetts made reference to the recent death of Councillor Nick Cope, and noted his long and extensive service to both Colchester Borough Council and the residents of the borough. A minute's silence was observed to allow the Committee and attendees to reflect upon, and remember, all that Councillor Cope had achieved.

305. Minutes of the previous meeting

RESOLVED that: the minutes of the meeting held on 18 January 2022 be confirmed as a correct record.

306. Equality and Safeguarding Annual Update Report

Lucie Breadman, Assistant Director – Communities attended the meeting to introduce the report. The Committee heard that the report presented to it served as a reminder of the Council's responsibilities towards equality, diversity and safeguarding, as well as providing an update on national developments and the work which Colchester Borough Council (the Council) had been focussing on. The Committee were invited to consider the approach taken by the Council, and consider whether it thought there were any gaps in the services provided.

The Council's obligations were defined in a number of pieces of legislation, including the Children Act 2004 and the Care Act 2014. The actions taken by the Council to discharge its responsibilities and try to ensure that Colchester was as inclusive a place as possible to live, ranged from formal processes to special activities and projects in both service areas and with key partners and communities. Particular

highlights of the work undertaken included working with staff and Councillors to deliver training and awareness in key areas, having dedicated policies which were specifically linked to safeguarding together with a formal reporting process, and working to embed knowledge across the Council via key staff in each service area. Close attention was paid to examples of best practice from elsewhere, and the Committee heard that the Council delivered services which exceeded the statutory requirements. Progress towards the Council's goals was monitored via impact assessments, audits and staff surveys, and the publication of this annual report which formed a public record of the Council's activities over the preceding year.

The Council participated in serious case reviews and domestic homicide case reviews and supported and engaged pro-actively with both the Essex Safeguarding Adults Board and the Essex Safeguarding Children Board, and the Community Safety Partnership. Policies and procedures were constantly reviewed to ensure that they supported the Council's work towards reducing inequality in local communities.

It was considered that there was nothing obvious that the Council should be doing but was not, however, areas of focus for the future which had been identified included equality and diversity in the Council's workforce, and key policies and strategies would be reviewed to examine how far equality and diversity was embedded in the Council from senior management downwards.

The attention of the Committee was drawn to the Council's "Communities Can" approach, which had been delivered in partnership with the One Colchester Partnership and delivered over the preceding year. The Council had worked with partners to better understand the impact of Covid-19 on community groups and other assets, and provide help to promote health and wellbeing, and tackle inequality in the community.

Sonia Carr, Community Safety Co-ordinator, attended the meeting and advised the Committee that a comprehensive safeguarding training plan for staff had been implemented in May 2021, containing differing levels of training for different roles in the organisation. It was hoped that more work would be undertaken with Councillors to bring specialised training to Member Development Sessions.

Councillor Willetts considered that work around equality and safeguarding was rightly embedded in the fabric of the Council, but he considered that the volume of information which had been presented to the Committee was not easy to comprehend or digest, and he wondered if the information could be distilled into a short, summary document. If a document such as a pamphlet could be produced, this could provide an easy way for members of the public and those who had not received training on the subject to comprehend the actions which were being taken. By way of response, Lucie advised the Committee that the duties of the Council were very broad, and could not be satisfied by a 'tick box' exercise, and it was for this reason that substantive information had been provided to the Committee. The Council's website did provide information which was focussed on key areas of work. It may be possible in the future that two reports could be provided to the Committee, dealing with safeguarding and equality and diversity separately.

Councillor King noted the huge volume of work which was represented by the presented report, and wondered whether it was possible to compare the work undertaken by the Council against what was considered to be good practice elsewhere. He further wondered what the future held for partnership working, which had been extremely successful, and whether the Council was fully prepared to offer the support which may be needed by incoming refugees in the future.

Lucie advised the Committee that audit exercises were carried out, which did allow for some comparison to other organisations, however, drawing direct comparisons was difficult as an assessment of key areas of work was guided by subjective judgement of each authority. The Committee was assured that the partnerships which had been formed with key organisations both in the local area and nationally were very strong and would be crucially important in delivering services in the future. With regard to the possible influx of refugees to the borough, work had already been undertaken with the group Refugee Action, the Council would take advantage of the close relationship that it had with the Home Office. Specific guidance from national government was still awaited, however, the Council was well placed to offer support due to the strong relationships that it enjoyed with partner organisations.

Councillor Willetts wondered whether key performance indicators (KPI) and benchmarking against other local authorities was a worthwhile exercise in the realm of safeguarding and equality, as the majority of services provided were responsive and therefore not measurable against routine targets. Lucie advised the Committee that there were some elements of the work carried out which could be measured, such as the provision of training to staff and Councillors, however, it was appropriate to use such measurements carefully to ensure that they remained relevant.

Councillor Fox praised the work that was being undertaken, particularly to address inequality and disproportionately high suicide rates. He noted that mandatory safeguarding training was to be introduced for all taxi drivers licensed by the Council, and sought confirmation of how this training has been implemented and enforced for both new and existing drivers. Sonia confirmed that the training package for taxi drivers had almost been completed in conjunction with the Council's Licensing Team, however, the implementation of this had not been smooth, with technological issues meaning that the training had suffered some delay. Councillor Fox was satisfied that the work was in progress and was moving forward.

In response to a question from Councillor Maclean, Lucie reminded the Committee that work in respect of safeguarding and equality and diversity was ongoing, and it was invited to reflect upon the contents of the Officer's report, and give a view as to whether it considered that the work which was being undertaken was appropriate and comprehensive, or whether additional work was required. Councillor Maclean considered that it would be useful to obtain statistics around the training which had been delivered, to chart how successful the programme of training had been. The Committee were assured that all staff were trained and offered levels of training which were appropriate to their role, allowing necessary referrals to be made if these were required.

Councillor Willetts considered that the Committee had expressed a wish for future reports to be delivered in a format which was easier to digest, and which highlighted the results which had been achieved, if this was possible.

RESOLVED that:

- the Committee had reviewed the progress made in meeting the Council's legal duties and objectives regarding both Equality and Diversity, and Safeguarding.
- the approach set out at paragraph 7 of the Officer's report be endorsed.
- Future reports be requested to contain summary information highlighting what had been achieved during the preceding year.

307. External Audit 2020/2021 update

Paul Cook, Head of Finance, attended the meeting to present the report and assist the Committee with its enquiries. The Committee were advised that the audit of Colchester Borough Council (the Council)'s statement of accounts of 2021 had still not been completed, and it therefore had not been possible to bring the auditors final report to the Committee for approval at this meeting. Notwithstanding this, the Committee heard that work had already started toward closing the Council's 2021/2022 accounts, and the timetable for these accounts would mean that draft accounts would be available for public inspection by the end of July 2022, and it was planned that the audit opinion would be granted by 30 November 2022. With regard to the accounts for 2022/2023, according to a government consultation, there would be a much tighter timetable in place. Work was about to commence on the 2023/2024 budget, and it would be extremely helpful for the 2021 audit to be finalised. The Committee was assured that it was not anticipated that anything financially concerning would be revealed as a result of this audit, but this could not be confirmed until it had been completed.

Aphrodite Lefevre, Audit Director from BDO, the Council's external auditors, attended the meeting and addressed the Committee. It was confirmed that BDO were not yet in a position to issue their audit opinion for the Council's accounts for the 2021 year. Apologies were offered to the Committee on behalf of BDO, and the extensive delay was attributed to a number of factors, including the national difficulty in recruiting and retaining trained and experienced audit staff, the increasing complexity of public sector accounts, and increasing regulatory pressure. Sadly the audit fees payable for local government audits had not matched the increase in the audit work which was now required, and this had led to reduced investment in the sector and consequent inability to attract staff to the profession. In addition to these issues, the Covid-19 pandemic had meant that the audit was conducted remotely via email and telephone which was much less efficient than face to face auditing, and which had had a huge impact on the ability to train junior staff which had led to performance issues and delays. There were specific issues which had impacted the Council's audit such as BDO team members resigning, sickness absence and increased quality expectations on the papers prepared by the Council. Work was

ongoing with Officers to agree a realistic timetable for completing the audit, and it was hoped to be in a position to conclude in the coming weeks. At the current time all of the required testing had been carried out by BDO, and the necessary manager review of the work was being carried out, which was 65% complete. This meant that 35% of the audit work had been carried out but not reviewed, meaning that there may still be questions arising from this. It was hoped that the audit work would be completely concluded by the end of March, subject to any questions arising.

Councillor Barber noted the continual slippage which had occurred in respect of the timing of audit completion, and considered that the Council should look to seek the return of some of the fees which had been paid to BDO for the service. He did not consider it acceptable that taxpayer money was being spent on a service which had yet to be delivered. He expressed a lack of confidence that the deadlines which had been proposed by BDO would be met.

Aphrodite confirmed that a rebate was not being considered, and an offer had been made from central government to provide additional funding to ease the issues with fees. At the current time, there had been no conversations with the Council in respect of a rebate.

Councillor Fox noted that the officers report confirmed that the delay would have no impact on the Council's financial management in future years, however he sought reassurance from BDO that the delays would not impact on future years accounts, and requested clarification on how it would be ensured that future audits were carried out on time.

Aphrodite assured the Committee that BDO was doing everything possible to deliver the necessary service, however, in the short term it was considered unlikely that it would be possible to return to the timescales which had previously been worked to in auditing the accounts. The plan for the forthcoming year was to work with Officers to provide an achievable audit plan, however, it was not possible to provide the Committee with any assurance that the deadline for next year would be met, as this would be extremely difficult. The fees which were charged were set by Public Sector Audit Appointments (PSAA), and in addition to these, variations on these fees were sought by BDO for additional elements of work which had to be carried out.

Dan Gascoyne, Chief Operating Officer, addressed the Committee and confirmed that the audit of the 2020/2021 statement of accounts needed to be completed as soon as possible. A meeting had taken place earlier in the day between the Chair of this Committee, representatives from BDO and the Council's senior management team, and the Council's Monitoring Officer had suggested that a specially convened meeting of the Governance and Audit Committee could take place before the end of April to deal with the audited statement of accounts. Such a meeting would, however, present significant challenges for staff, as even if the audit work was completed by the end of March, the findings would still have to be reviewed and Committee paperwork prepared and published in time. Another, more practical option would be for the Committee to delegate the power to approve the final audited statement of accounts to the Chair and Group Spokespersons of the Governance and Audit Committee, which was the recommended option. A detailed work

programme would be agreed between Officers and BDO for the forthcoming audits, although the Committee was advised that a negative impact to this process caused by the current delays was inevitable.

Councillor Willetts noted that the date which had been given for the completion of the audit work of the end of March was not certain, although there was some confidence that BDO would be able to complete the work in this timeframe. He considered that if the audit were to be completed as planned, then waiting three months for the next meeting of the Governance and Audit Committee in the new municipal year was not acceptable, given the delays which had already occurred. He therefore considered that it was a sensible contingency that the Committee did accept the recommendation which had been made to authorise the Chairman and Group Spokespersons to approve the audited statement of accounts, as and when these were prepared. Andrew Weavers, Monitoring Officer of Colchester Borough Council, advised the Committee that the approach that had been suggested was an acceptable way of proceeding, noting that the audit work needed to be brought to a conclusion for a variety of reasons, including that of the good governance of the authority. Once this work had been concluded, he suggested that a report be presented to the Governance and Audit Committee outlining what action had taken place. Paul Cook confirmed that he was happy with the suggested approach, noting the importance of signing off the accounts, and reminding the Committee that it had already seen the draft accounts at a previous meeting.

RESOLVED that:

- The further delays in finalising the 2020/2021 audit had been
- The Chairman and Group Spokespersons of the Governance and Audit Committee be granted delegated authority to approve the final audited statement of accounts for 2020/2021

308. Financial Monitoring Report – April to December 2021

Paul Cook, Head of Finance, attended the meeting to present the report and assist the Committee with its enquiries. The Committee heard that Colchester Borough Council (the Council) expected to use £1.6m less reserves in 2021/2022 than had been originally budgeted for. This variation had been caused by delays in the Council's capital programme and slightly improved investment rates. Additionally, it had been anticipated that approximately £500,000 support would be received from central government in respect of lost sales, fees and charges, but the figure actually claimed had been £920,000. Sport and leisure services had also improved their income beyond the budget expectations. Although the Council was in a good position, it was anticipated that the reserve would be needed in the future as inflation forecasts predicted an impact on interest rates.

Councillor Willetts was pleased to note that that income had been increasing faster than expected, although recognised that the Officer's report also contained information about some income sources recovering less swiftly.

Councillor Willetts raised his concern in respect of the Council's Neighbourhood Services vacancy factor target, which required the Council to predict which posts would be vacant, and he wondered whether it was possible to provide more advice for departments to assist them in estimating the likelihood of vacant posts, and the costs associated with these, more accurately. Paul Cook confirmed that the overall budget assumption on the vacancy factor was considered at the end of the financial year, and further detail could be provided to the Committee in respect of the vacancy factor target when considering future budgets.

RESOLVED that:-

- the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first nine months of 2021/22 had been considered.
- the forecast budget underspend of £1.606m on the General Fund and the fact that this would necessitate less reserves being used to deliver an on-budget year-end position than originally assumed, be noted.

309. Capital Monitoring Report, Quarter 3 – 2021/2022

Paul Cook, Head of Finance, attended the meeting to present the report and assist the Committee with its enquiries. The Committee heard that up to quarter three of the financial year, Colchester Borough Council (the Council) has spent just under £24m, and it was expected to have spent just under £63m by year end. The Covid-19 pandemic had caused project delays and resource shortages, and the Council's Capital Programme had recently been revised. The Officer's report contained red, amber, green (RAG) ratings for the Council's schemes across three different categories, and there were detailed notes in relation to schemes which were 'amber' rated.

Dan Gascoyne, Chief Operating Officer, in response to an enquiry by Councillor King, confirmed that the Council was working hard to improve the systems in place within the organisation to ensure that mechanisms were available to support the ongoing supervision and review of projects. It had been a challenging year, and comments in the report provided explained where there had been delays or difficulties with particular projects. Although it was acknowledged that there were some areas where improvements could be made, it was considered that the Council had not made any fundamental mistakes within the Capital Programme, and some significant schemes were being brought forward. Paul Cook confirmed that it was difficult to forecast capital projects, which typically ran over a number of financial years, however, he noted the successful delivery of a number of projects to a tight timetable such as the securing of Town Deal funding.

Councillor Willetts praised the presentation of the report, considering that the presentation of information was much clearer than it had been in the past, allowing

the Committee to more effectively scrutinise and understand the Programme. He considered that significant effort had been put into managing the Capital Programme successfully, under very challenging, swiftly changing, circumstances.

RESOLVED that:

- the progress of the Capital Programme as set out in the Officer's report, the associated spend for Quarter Three and the programme forecasts for future years be approved.
- the red, amber, green (RAG) rating for each capital programme scheme provided by project managers be noted.
- the risk analysis on areas where there is a risk of material shortage, inflation, or increases in costs had been reviewed.

310. Internal Audit Plan 2022/2023

Hayley McGrath, Corporate Governance Manager, attended the meeting to present the report and assist the Committee with its enquiries. The Committee heard that the Internal Audit Plan formed part of a five year plan, which had been agreed a couple of years ago. It was, however, still appropriate to ask the Committee to consider the one year plan each year to ensure that it remained appropriate in the light of changing services and issues. The Council's internal auditors, Tiaa, had provided a report to the Committee setting out the audits which were to be undertaken, either annually or on a rolling basis, together with audits carried out for Colchester Borough Homes and Colchester Commercial Holdings Limited. Emerging themes in the sphere of internal audit had been considered and incorporated into the programme for the future, with some key themes also being included in Colchester Borough Council (the Council)'s Risk Register, as the Council's internal audit programme was part of the Council's risk management assurance process.

Councillor Willetts was assured that the audit process was part of the Council's risk management process, and considered that the presentation of information in the Officer's report was extremely good, and allowed the Committee to follow the logic of the allocation of the Council's audit resources.

Councillors King considered that the Officer's report represented a first class piece of work, and offered his thanks to both Tiaa and Officers, sentiments which were echoed by Councillor Barber, who noted that the report was so clear and easy to understand that further interrogation of the Plan was made redundant.

RESOLVED that: the suggested Internal Audit plan for 2022/23, shown in appendix 1 to the Officer's report, be agreed.

311. Review of Digital Meetings following Covid-19, verbal update.

Andrew Weavers, Strategic Governance Manager (Monitoring Officer), attended the meeting to provide a verbal update to the Committee. The Committee were reminded that on 25 March 2021, a call for evidence had been launched by central government regarding local authority remote meetings, and this consultation had ended on 25 June 2021, and there was no current indication when the government's response would be published. It was, however, considered that the government would eventually enable digital or hybrid meetings to happen, and the Secretary of State had expressed his support for these styles of meetings. In the meantime, Colchester Borough Council (the Council) was bound by the requirements of the Local Government Act 1972, and had to continue with in-person meetings. Councillors would be kept up to date with any developments in this regard as and when they occurred.

It was considered that the most appropriate way forward was to live stream Council meetings over the internet, and this was something that had been considered over a number of years. When streaming had first been considered, technological solutions to allow this were limited and very expensive, and the Covid-19 pandemic had brought forward both more solutions and expectations regarding digital accessibility, and by implication transparency and accountability in Council meetings. The Council was currently audio streaming some meetings, or video streaming meetings where remote attendance was appropriate given the nature of the business to be transacted.

Although a range of solutions had been considered for the Town Hall, it had become apparent that a single solution would not be found that was suitable for all the meeting rooms in the building, and the decision had therefore been taken to aim to equip the Grand Jury Room first as this was the easiest room in which to install the necessary equipment. The Committee were advised that a bespoke system had been ordered which would comprise a control console, two large display screens, a wide angle camera and a camera with zoom functionality. The solution was portable and would provide full coverage of the meeting room, as well as being able to highlight individual speakers. The equipment had been tested, and it was proposed that it would be used from the commencement of the new municipal year. Work was ongoing to seek a similar bespoke solution for the Council Chamber, but due to the complexity of the room layout and the fact that it was located inside a listed building, this was a more complicated project. The Committee would be kept apprised of any progress that was made in this regard.

Councillor Willetts praised the sourcing of an easy to use, economical system, particularly given the high expectations of computer systems now, and he acknowledged the difficulty of providing this in a listed building.

Councillor Fox noted that broadcasting meetings had been under consideration since he was first elected as a Councillor, and felt that this was an important step forward

in delivering more transparency for residents. He welcomed further investment in the Town Hall in this regard in the future.

Councillor Barber supported the scheme and considered that it expanded the options which were available to those wishing to attend a Committee meeting, but who may not have the time to commit to attending at the Town Hall for the entire meeting.

Councillor Willetts was disappointed that there had yet to be an amendment to the Local Government Act 1972 allowing those Councillors attending remotely to vote on items, however he considered that the new system would be extremely useful in assisting the Council to carry out its business.

RESOLVED that: the contents of the verbal report be supported and noted.

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312. Work Programme 2021-2022

Matthew Evans, Democratic Services Officer, attended the meeting to present the report and assist the Committee with its enquiries.

RESOLVED that: the contents of the work programme be noted.

GOVERNANCE AND AUDIT COMMITTEE

25 May 2022

Present:- Councillor Dave Harris, Councillor Sam McCarthy,
Councillor Chris Pearson, Councillor Paul Smith,
Councillor Rhys Smithson, Councillor Dennis Willetts

Substitutions:

Also Present:-

313. Appointment of Chairman

RESOLVED that: Councillor Paul Smith be appointed as Chairman for the forthcoming municipal year.

314. Appointment of Deputy Chairman

RESOLVED that: Councillor Chris Pearson be appointed as Deputy Chairman for the forthcoming municipal year.

Governance and Audit Committee

Item
7

21 June 2022

Report of

Assistant Director of Corporate and Improvement Services

Author

Hayley McGrath
508902

Title

Head of Internal Audit Annual Report 2021/22

Wards affected

Not applicable

1.0 Executive Summary

1.1 The report set out in appendix 1 summarises the findings of the Internal Audit function for the financial year 2021/22.

1.2 The key messages from the report are:

- Despite the continued impact of the pandemic the Internal Audit contractor was able to ensure that an effective internal audit service was provided during the 2021/22 financial year.
- Nineteen audits were completed during the year.
- Twelve audits (63%) achieved a substantial assurance rating (previously full assurance), compared to eleven last year (44%).
- The number of limited assurance ratings increased to two (10%) from one (4%).
- Three urgent recommendations were made, the same as last year.

2.0 Recommended Decision

2.1 To review and comment on:

- Internal audit activity for the period 1 April 2021 to 31 March 2022.

3.0 Reason for Recommended Decision

3.1. The Accounts and Audit Regulations 2015 require 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'. Internal audit is a key element of the Council's corporate governance framework. Robust implementation of audit recommendations gives assurance to members and management that services are operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards.

4.0 Alternative Options

4.1 None.

5.0 Background Information

- 5.1 At the end of each financial year the audit provider produces a 'Head of Internal Audit Report'. This is the overall assurance rating for the Council and is the evidence that supports the assessment of the internal control in the Annual Governance Statement.

The report for 2021/22 states 'TIAA is satisfied that, for the areas reviewed during the year, Colchester Borough Council has reasonable and effective risk management, control and governance processes in place.'

- 5.2 Each audit is given one of four assurance ratings – substantial, reasonable, limited and no – that indicates how well the system controls are working. The assurance rating is determined primarily by the number and level of recommendations made, which are classed as urgent, important or routine. The table in appendix 2 explains the assurance and recommendation levels in more detail.
- 5.3 The details of the findings from the two limited assurance audits are detailed in appendix 3.

6.0 Strategic Plan Implications

- 6.1 The audit plan has been set with due regard to the identified key strategic risks to the Council and the objectives of the strategic plan to be vibrant, prosperous, thriving and welcoming. Therefore, the audit work ensures the effectiveness of the processes required to achieve the strategic objectives.

7.0 Risk Management Implications

- 7.1 The failure to implement recommendations may have an effect on the ability of the Council to control its risks and therefore the recommendations that are still outstanding should be incorporated into the risk management process.

8.0 Environmental and Sustainability Implications

- 8.1 There are no environmental or sustainability implications as a result of this report.

9.0 Other Standard References

- 9.1 There are no direct Publicity, Financial, Consultation, Equality, Diversity, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Key to Assurance Levels

Assurance Gradings

Internal Audit classifies internal audit assurance over four categories, defined as follows:

Assurance Level	Evaluation & Testing Conclusion
Substantial	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Recommendation Gradings

Internal Audit categorises recommendations according to their level of priority as follows:

Priority level	Definition
1. Urgent	Fundamental control issue on which action should be taken immediately.
2. Important	Control issue on which action should be taken at the earliest opportunity.
3. Routine	Control issue on which action should be taken.
OEM – Operational Effectiveness Matter	Items that would be best practise / improvements, but do not impact on the effectiveness of the controls.

Colchester Borough Council

Internal Audit Annual Report

2021/22

April 2022

Internal Audit Annual Report

Introduction

This is the 2021/22 Annual Report by TIAA on the internal control environment at Colchester Borough Council. The annual internal audit report summaries the outcomes of the reviews we have carried out on the organisation's framework of governance, risk management and control.

Limitations on our opinion arising from Covid-19

The impact of COVID-19 on many organisations has continued to be felt throughout 2021/22 with restrictions continuing to be applied. This has been compounded by the emergence of new variants which has required the vaccination and booster programme to be accelerated. These have impacted staff availability and organisational capacity. It is acknowledged that this has affected some sectors more than others.

For internal audit the question remains as to whether sufficient internal audit work has been undertaken to gain assurance during 2021/22. This is a key consideration under internal auditing standards (IIA) when issuing an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is in turn one of the sources of assurance that many organisations rely on for their Annual Governance Statement. Factors that need to be taken in to account in reaching a conclusion include:

- Has any reduction in coverage compared to what was planned resulted in insufficient assurance work?
- Have any limitations in the scope of individual assignments resulted in it only being possible to place partial assurance on the outcome?
- Have changes in ways of working led to gaps in the governance, risk management and control arrangements?

TIAA understands the considerable challenges and the difficult decisions that organisations are having to deal with, however, there remains a professional and regulatory expectation that their internal audit arrangements conform with applicable standards. In this difficult situation, heads of internal audit will need to consider whether they can still issue an annual opinion or whether there will need to be a limitation of scope.

A limitation of scope arises where the HIA is unable to draw on sufficient assurance to issue a complete annual opinion in accordance with the professional standards. This is an issue not only for the HIA but also for the leadership team and the audit committee who normally rely on that opinion. It may also have wider consequences for stakeholder assessments of the organisation.

What this means for Colchester Borough Council

There has been minimal or no impact on the delivery of the internal audit work for 2021/22 as a result of the COVID-19 pandemic. Whilst there was an impact on delivery of the work in the early part of the year during the initial lockdown, we are able to deliver the planned work by year-end (or shortly thereafter). There have been no changes to the planned work as a result of COVID-19; any changes to the plan were based on purely on business/operational need.

HEAD OF INTERNAL AUDIT'S ANNUAL OPINION

TIAA is satisfied that, for the areas reviewed during the year, Colchester Borough Homes has reasonable and effective risk management, control and governance processes in place. Not having completed all of the planned work due to the global Covid-19 pandemic has not impacted on our overall assessment.

This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by Colchester Borough Homes from its various sources of assurance.

Internal Audit Planned Coverage and Output

The 2021/22 Annual Audit Plan approved by the Governance and Audit Committee was for 310 days (Including 10 days brought forward) of internal audit coverage in the year.

During the year there were two audits were added to the Audit Plan and the contingency days in the plan were used for one of the audits. The planned work that has been carried out against the plan and the status of work not completed is set out at Annex A.

Assurance

TIAA completed 19 reviews of the 23 reviews in the plan. Three of the reviews were carried forward and will be completed in 2022/23. The remaining ICT audit is in progress. The reviews were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve Colchester Borough Homes' objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and a summary is set out below. These figures include those areas where our inability to complete the work due to restrictions brought about by Covid-19 has resulted in an Indicative assurance assessment.

Assurance Assessments	Number of Reviews*	Previous Year
Substantial Assurance	12	11
Reasonable Assurance	5	13
Limited Assurance	2	1
No Assurance	0	0

- One audit does not require an assurance assessment

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.

We made the following total number of recommendations on our audit work carried out in 2021/22. The numbers in brackets relate to 2020/21 recommendations

Urgent	Important	Routine
3 (3)	19 (35)	20 (42)

Audit Summary

Control weaknesses: There were no areas reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited' or 'no assurance'.

Recommendations Made: We have analysed our findings/recommendations by risk area and these are summarised below.

Risk Area	Urgent	Important	Routine
Directed			
Governance Framework	0	3	1
Risk Mitigation	0	0	0
Compliance	3	16	15
Delivery			
Performance Monitoring	0	0	4
Financial Constraint	0	0	0
Resilience	0	0	0

Operational Effectiveness Opportunities: One of the roles of internal audit is to add value and during the financial year we provided advice on opportunities to enhance the operational effectiveness of the areas reviewed and the number of these opportunities is summarised below.

Operational
5 (9)

Independence and Objectivity of Internal Audit

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

Performance and Quality Assurance

The following Performance Targets were used to measure the performance of internal audit in delivering the Annual Plan.

Performance Measure	Target	Attained
Completion of Planned Audits	100%	100%
Audits Completed in Time Allocation	100%	100%
Final report issued within 10 working days of receipt of responses	95%	100%
Compliance with IIA Internal Audit Standards	100%	100%

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001:2015 standards. Our work complies with the IIA-UK Professional Standards. An independent external review was carried out of our compliance in 2017 and in particular to meet the requirement of an independent 5 year review, the outcome confirmed full compliance with all the standards.

Release of Report

The table below sets out the history of this Annual Report.

Date Draft Report issued:	27 th April 2022
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Annexes

Annex A

Actual against planned Internal Audit Work 2021/22

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Working with Volunteers and Police (Partnership services and Community safety)	Assurance	12	12	Substantial	Final Report Issued
Cybersecurity	ICT	10	10		Work is in progress
Land Charges	Assurance	12	12	Substantial	Final Report Issued
Performance Management (including staff training)	Assurance	12	12	Reasonable	Final Report Issued
Tendring Colchester Borders Project	Assurance	14	14	Substantial	Final Report Issued
Homelessness – Impact of COVID	Assurance	12	12	Substantial	Final Report Issued
COVID Discretionary Grant	Assurance	12	12	Substantial	Final Report Issued
Mobile Device Management	ICT	12	0		Moved to 22/23
Procurement	Assurance	12	12	Limited	Draft Report Issued
COVID Management review	Assurance	10	10	Substantial	Final Report Issued
Key Financial Controls (including Museums and Parking Services)	Assurance	20	20	Reasonable	Final Report Issued
Council Tax and NNDR	Assurance	14	14	Substantial	Final Report Issued
Housing Benefit and LCTS	Assurance	16	16	Substantial	Final Report Issued
Staff wellbeing and Sickness absence	Assurance	12	12	Reasonable	Final Report Issued
Budgetary Control - Income stream not realised	Assurance	12	12	Substantial	Final Report Issued
Corporate Governance and Democratic (including Policies)	Governance	12	12	Substantial	Final Report Issued
Waste Management	Assurance	12	0		Postponed to 22/23
Climate Emergency	Assurance	14	14	Substantial	Draft Report Issued

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Leisure World	Assurance	15	15	Reasonable	Draft Report Issued
Contract Management	Assurance	12	12	Reasonable	Draft Report Issued
Allocation for CCHL	Assurance	18	0		Postponed to 22/23
Bossman review	Contingency	0	8	Limited	Draft Report Issued
The Culture Recovery Grant: Saving and Sustaining	Contingency	0	2	Substantial	Final Report Issued
Follow-up	Follow up	10	10		
Annual Planning	Management	3	3		
Annual Report	Planning/Reporting	2	2		
Audit Management	Planning/Reporting	10	10		
*including 10 days brought forward	Total Days	310	268		

Key Findings of Limited Assurance Audits

Procurement	
1	<p>Testing of a sample of 15 supplier expenditure, with expenditure totals for the year over £45,000 - £50,000 (within the tender threshold) found that only two of the suppliers were selected via a tender process. Remaining 13 suppliers were not selected via a tender process. Purchases were done via purchase orders approved by delegated signatories.</p> <p>Priority 1 recommendation raised to review all suppliers with total annual purchase orders of over £45,000.</p>
2	<p>A review of some categories of spend noted the following:</p> <ul style="list-style-type: none"> • Cleaning materials - Seven suppliers with total expenditure of £97,621.87. • Cleaning services - 12 suppliers with total expenditure of £105,791.03. • Tree surgery - Three suppliers with total expenditure of £231,252. • Stationery - Five suppliers with total expenditure of £53,118.90 • Food and drink - 23 suppliers with total expenditure of £176,321.42. • Uniform and PPE - 13 suppliers with expenditure totalling £87,234.88. • Waste and recycling (Waste disposal) - Four suppliers with expenditure totalling £158,827.44. • <p>Priority 1 recommendation raised to review the suppliers in each category of spend.</p>
3	<p>A central log of suppliers/catalogue used to be maintained but there is currently none in place. The Council's aim is to use local suppliers, however the Crown commercial service procurement framework is sometimes used to select suppliers.</p> <p>Priority 2 recommendation raised to maintain a central supplier catalogue of approved suppliers.</p>
4	<p>Testing found that some suppliers (with annual total orders over £10,000) were previously on framework agreement, however they are no longer on the agreement. Example of such suppliers noted during sample testing are Initial Wash room solutions and Bunzl cleaning and hygiene supplies.</p> <p>Priority 2 recommendation raised to review all contracts, that are not currently on a framework agreement, to ensure that they are procured from a framework or tendered.</p>
5	<p>The Contract Procedure rules notes that for Contracts under £50,000, at least three written quotes are required (unless it is impractical to do so) from potential contractors. Testing found that there were no contracts in place for some major suppliers of Food and drinks, cleaning products and Building materials. Also, evidence of receipt of quotes from three suppliers is not centrally maintained by the procurement team. Examples include Osgood Smith (Annual total of £24,546.25), Bidvest Food and Drink service (£27,426.60), and Colchester Cleaning Company (£17,058.00).</p> <p>Priority 2 recommendation raised to ensure that comparative quotes are received from similar suppliers to ensure value for money is received by the Council and the arrangements formalised. Contracts be put in place for selected suppliers.</p>

Procurement Contd.	
6	<p>Sample testing of six waivers found that waiver forms were completed for all six waivers and the forms include the reasons for the waiver. Four of the forms were approved by the Heads of services who are the Portfolio holders while two were not approved by the Heads of service.</p> <p>Priority 2 recommendation raised for all waiver forms be approved by the Heads of Services.</p>
7	<p>The Procurement department is not always included in the procurement process. The procuring departments raise purchase orders and these are approved by the budget holders within the team. This has resulted in continued use of suppliers without factoring in if the total costs to the individual suppliers is within the tender threshold. As the procurement team is not involved, it can also not be determined if the procuring teams are obtaining three quotes for orders as required by the Contract Procedure rules. As confirmed from the test of expenditure over £45,000, only two of the 15 expenditure tested were procured via a tender process, with the involvement of the Procurement team.</p> <p>Priority 2 recommendation raised to ensure that the procurement process is centralised and involves the Procurement team.</p>
8	<p>The Council has a Procurement strategy in place covering the period 2019 - 2022.</p> <p>Priority 3 recommendation raised to ensure that the Procurement Strategy be reviewed, updated and uploaded to the SharePoint site.</p>
9	<p>The Contract Procedure Rules was issued in October 2018. However, the next review date is not included. As the document is over three years old, it may be due for a review.</p> <p>Priority 3 recommendation raised to ensure that the document be reviewed, and the updated version made available to all staff members via the SharePoint site.</p>

Specific Contract Review	
1	<p>The Contractor was engaged by the Council a long time ago and it was confirmed by the Senior Procurement Consultant that the supplier is not listed in the Council's contract register and the supplier did not go through a tender process. The total value of purchase orders raised by the supplier in the last 18 months is £219,555 and this is within the EU requirement/tender selection threshold.</p> <p>Priority 1 recommendation raised to tender the services rendered by the contractor.</p>
2	<p>The Contract Procedure Rules require that for Contracts under £50,000, at least three written quotes are required from potential contractors. Sample testing of seven Purchase orders with the highest values, ranging from £3,800 to £12,000 found that only one quote was received for five of the seven purchase orders due to the time constraints involved in carrying out the jobs. It was noted that the four of the five purchase orders relate to Section 106 Agreement which was going to expire in a very short space a time and the Council had to identify projects and obtain a quote and raise orders within ten days. Information on two purchase orders were not available.</p> <p>Priority 2 recommendation raised to obtain quotes from more than one service provider.</p>
3	<p>There has previously been a contract in place on which the contractor being reviewed was a selected contractor. However, the contract has since lapsed and they are now engaged following quotations. The quote-by-quote basis of selecting the contractor doesn't take into account aggregated spend and this could contravene the Contract Procedure Rules. It is noted that the Supplier is currently not included in the Council's Contract Register.</p> <p>Priority 2 recommendation raised to ensure that, following a tender process, a valid contract be put in place with the selected contractor to ensure that the supplier is held to contract performance standards and adequately monitored.</p>
4	<p>It was noted that the supplier's invoices are handwritten and do not include detailed breakdown of the total cost of the invoice. The cost of materials and the cost of labour are not separately indicated on the invoices.</p> <p>Priority 2 recommendation raised to inform the supplier to provide detailed invoices, including the cost of labour and the cost of materials, for the services rendered to the Council.</p>
5	<p>The Council has a Contract Procedure Rules document. The document includes detailed procurement processes such as the EU threshold, Tender process, Framework agreements, and other procurement rules. The document was issued in October 2018. However, the next review date is not included. As the document is over three years old, it may be due for a review.</p> <p>Priority 3 recommendation raised to ensure that the document be reviewed, and the updated version made available to all staff members via the SharePoint site. (repeat of recommendation in Procurement audit).</p>

Specific Contract Review Contd.	
6	<p>Sample testing of seven Purchase orders with the highest values, ranging from £3,800 to £12,000 found that only one quote was received for five of the seven purchase orders due to the time constraints involved in carrying out the jobs.</p> <p>Priority 3 recommendation raised to maintain a catalogue of suppliers, to be made accessible to the relevant departments, so that quotes can be easily obtained from suppliers on a timely basis.</p>
7	<p>An Operational Effectiveness Matter was raised to consider assessing the value for money of moving the services, rendered by the contractor, in-house.</p>

21 June 2022

Report of	Assistant Director of Corporate & Improvement Services	Author	Hayley McGrath 508902
Title	Review of the Governance Framework and Draft Annual Governance Statement		
Wards affected	Not applicable		

1.0 Executive Summary

This report relates to the Council's duty to produce an Annual Governance Statement, that reviews the effectiveness of the Council's internal control systems for the 2021/2022 financial year, which is required for the 2021/2022 Statement of Accounts.

2.0 Recommended Decisions

- 2.1 To consider and note the review of the Council's compliance with the seven principles of good governance (CIPFA International Framework: Good Governance in the Public Sector 2016) including the review of effectiveness of the internal control arrangements.
- 2.2 To approve the Annual Governance Statement for 2021/22.

3.0 Reasons for Recommended Decisions

- 3.1 Regulation 3 of the Accounts and Audit Regulations 2015 states that:
'A 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; and includes effective arrangements for the management of risk.'
- 3.2 Regulations 6(1) and (2) go on to place a requirement on the Council to conduct a review of the effectiveness of its system of internal control at least once a year, and to report the findings to this committee. Following the review, the committee must approve an Annual Governance Statement (AGS), prepared in accordance with proper practices in relation to internal control.
- 3.3 The review of the system of internal control assesses the Council's compliance with the seven principals of good corporate governance, set out in the 2016 CIPFA / SOLACE guidance – Delivering Good Governance in Local Government, and the effectiveness of the policies and procedures that make up the Council's governance framework. The process also produces a management action plan to address any identified weaknesses.
- 3.4 CIPFA's proper practice requires the Chief Executive and the Leader of the Council to sign the AGS. They must be satisfied that the document is supported by reliable evidence and accurately reflects the authority's governance and control arrangements.

4.0 Alternative Options

- 4.1 None.

5.0 Background Information

5.1 Colchester Borough Council has adopted a Local Code of Corporate Governance based on the 'Delivering Good Governance in Local Government' guidance. The purpose of the AGS is to review compliance with the seven principles of good governance outlined in the guidance and the Council's Local Code of Corporate Governance.

5.2 The seven principles of Corporate Governance are:

- Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Principle 2: Ensuring openness and comprehensive stakeholder engagement.
- Principle 3: Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Principle 4: Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Principle 5: Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Principle 6: Managing risks and performance through robust internal control and strong public financial management.
- Principle 7: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

5.3 As part of the governance review the Council has to demonstrate the effectiveness of its internal control arrangements, and this is primarily evidenced by the Head of Internal Audit Report, produced by the Council's Internal Audit provider, TIAA. A copy of the report is available as a background paper. The key statement from this report is detailed below: -

From the Internal Audit work undertaken in compliance with the PSIAS (Public Sector Internal Audit Standards) in 2021/22, **TIAA is satisfied that, for the areas reviewed during the year, Colchester Borough Council has reasonable and effective risk management, control and governance processes in place.**

5.4 A key consideration for this year's opinion, to ensure compliance with the Public Sector Internal Audit Standards, has been the impact of the pandemic on the ability of the auditor to undertake sufficient internal audit work to gain overall assurance of the Council's systems. The report states:

'There has been minimal or no impact on the delivery of the internal audit work for 2021/22 as a result of the COVID-19 pandemic. Whilst there was an impact on delivery of the work in the early part of the year during the initial lockdown, we are able to deliver the planned work by year-end (or shortly thereafter).'

5.5 In addition, the further steps taken in producing the AGS have been as follows: -

- A full review of the Council's code of corporate governance including detailed assessment of evidence supporting each principle.
- Assurance assessments relating to key areas of governance and control have been completed by senior management.
- Consideration of risk management issues.
- Detailed follow up of issues with relevant managers to provide evidence of controls in place.
- Review of the action plan from the Annual Governance Statement for 2020/21.
- Review of the implementation of recommendations made by Internal Audit.
- Review of issues raised in External Audit reports, principally the Annual Audit Letter.

- Assessment that the financial arrangements comply with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016).

- 5.6 The AGS for 2021/22 is attached at appendix 1. The format of the statement takes into account both the mandatory pro-forma contained within CIPFA's proper practice guidance, together with subsequent examples of best practice.
- 5.7 The AGS includes a table showing significant internal control issues and planned actions to address these. A more detailed action plan is set out within this report at Appendix 2. The AGS should be an ongoing assessment and therefore a review of the progress against the recommendations will be reported to the Committee later in the financial year.

6.0 Strategic Plan Implications

- 6.1 The achievement of the strategic plan requires a sound system of governance to ensure the effective delivery of services. Therefore, improving on existing governance arrangements will help to ensure that the strategic plan objectives can be achieved.

7.0 Risk Management Implications

- 7.1 Risk Management is a fundamental part of the Governance process and a failure to implement the action plan may have an effect on the ability of the Council to control its risks. Therefore, the actions should be incorporated into the risk management process.

8.0 Environmental and Sustainability Implications

- 8.1 There are no environmental or sustainability implications as a result of this report.

9.0 Other Standard References

- 9.1 There are no direct Publicity, Financial, Consultation, Equality, Diversity, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Appendices

Appendix 1 – The Annual Governance Statement for 2021/22

Appendix 2 – The Annual Governance Statement Action Plan for 2022/23

Background Papers

Head of Internal Audit report for the year ended 31 March 2022.

COLCHESTER BOROUGH COUNCIL DRAFT ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

Scope of responsibility

Colchester Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The Council is also responsible for ensuring that any companies owned by the Council, and any jointly operated services, also have proper arrangements in place for the governance of their affairs.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on the Council website at www.colchester.gov.uk or can be obtained from Colchester Borough Council, Rowan House, 33 Sheepen Road, Colchester, CO3 3WG.

This statement explains how the Council has complied with the code and meets the requirements of regulations 6(1)(a) and (b) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. Which in turn directs the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council's governance framework has been in place during the year ended 31 March 2022 and up to the date of the approval of the annual accounts.

Elements of the Framework

The framework consists of comprehensive processes that each ensure that the Council complies with the principals of good governance. These include:

- **The Strategic Plan** – which identifies and communicates the Council’s vision of its purpose and intended outcomes for citizens and service users. This is supported by an action plan that is updated annually.
- **The Strategic Risk Register** – which reflects the objectives of the Strategic Plan and identifies the implications for the Council’s governance arrangements.
- **The Constitution** - This is the fundamental basis of the Council’s governance arrangements and includes:
 - Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.
 - Reviewing and updating procedure rules, financial procedure rules, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken.
 - The Policy Framework, which includes the documents relating to Corporate Governance, including:
 - The Local Code of Corporate Governance.
 - A risk management strategy detailing processes and controls required to manage risks.
 - The Anti-Fraud and Corruption Policy
 - The Ethical Framework which includes documents relating to standards of conduct and good practice which include:
 - A code of conduct which defines the standards of behaviour for all Members.
 - Planning procedures Code of Practice
 - Protocol on Member/Officer Relations
 - Media Protocol
 - Monitoring Officer Protocol
 - Chief Finance Officer Protocol
 - Resources Protocol
 - A whistle blowing policy for receiving and investigating complaints from the public and staff.
 - Gifts and Hospitality Guidance
- **The Chief Finance Officer Protocol** sets out the responsibilities to conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016).
- **The operation of a Governance and Audit Committee** which undertakes the core functions of an audit committee, as identified in CIPFA’s document ‘Audit Committees – Practical Guidance for Local Authorities’. It also acts as the ‘client’ committee scrutinising the performance of the Colchester Commercial (Holdings) Limited and its subsidiary companies.
- **The operation of a Scrutiny Panel** to ensure that the actions of the Cabinet accord with the policies and budget of the Council, monitor the financial performance of the Council, link spending proposals to the Council’s policy priorities and review progress and to review decisions of the Cabinet via the call-in procedure.
- **A performance management system** for all officers that identifies key objectives and development needs.
- **A member training and development programme.**

- **A communications strategy** which establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- **Treasury management practices and policies**

The post of the Section 151 Officer for Colchester Borough Council is held by the Head of Finance. The arrangements in place ensured that the Council's financial management arrangements conformed with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016).

The CIPFA Financial Management Code was published in May 2020, a full self - assessment against the code will be carried out in 2022/23 but an initial review has not identified any significant issues which would affect the Council's financial sustainability.

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates including the Local Government and Social Care Ombudsman, the Information Commissioner's Office, Equal Opportunities Commission, Lexcel, Investors In People, the Vehicle Inspectorate, DEFRA, East England Tourist Board and the Office of Surveillance Commissioners.

As well as the annual review, the governance and control frameworks are maintained and reviewed by a series of comprehensive processes throughout the year. These include:

- **A robust Internal Audit function** where the planned work is based on identified key systems and risk areas. The Council's Internal Audit Service arrangements conform to the governance requirements and core responsibilities of the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019)*. The services' compliance with the Public Sector Internal Audit Standards was independently assessed and verified in 2017.
- **An embedded reporting system** for both internal and external audit issues that ensures that senior managers and members are fully briefed on key issues, which includes regular reporting to the Governance and Audit Committee.
- **A comprehensive risk management process** that ensures the key risks across the Council, both operational and strategic, are captured and reported to senior officers and Members.
- **The reports of the Chief Financial Officer** to Members and the senior management team including financial assessments of key projects and decisions.
- **Reporting of key performance issues** to the Scrutiny Panel.
- **A comprehensive budget monitoring process** that is reported monthly to senior managers.
- **A defined Monitoring Officer role** which sets out responsibility for ensuring all decisions comply with statutory requirements and are lawful.

The significant control issues found during the review are highlighted in the table at the end of the statement.

The Covid-19 pandemic continued to have an impact on the delivery of council services during the year. However, the processes that had been put in place during the previous year continued to operate effectively and the council was able to respond rapidly to changes in pandemic response requirements and to continue to deliver existing services.

Effectiveness of Other Organisations

The Council owns six companies:

- Colchester Borough Homes (CBH) which was created in 2003,
- Colchester Community Stadium Limited (CCSL) created in 2007
- Colchester Commercial (Holdings) Limited (CCHL), and its three subsidiary companies –
 - Colchester Amphora Trading Limited,
 - Colchester Amphora Energy Limited and
 - Colchester Amphora Housing Limited.

It also leads two joint (with other local authorities) services:

- Colchester & Ipswich Museums Service (CIMS)
- North Essex Parking Partnership (NEPP)

As these are limited companies there is no requirement for them to produce Governance Statements in this format. However, it is recognised by the Council, that it is essential for these companies to operate effective governance procedures to ensure appropriate and cost-effective service provision and protection of Council assets.

Whilst CBH is an 'arms-length' company it is still necessary for the Council to ensure that it operates effectively to ensure that it provides an effective and economical service to housing tenants and that the Council's asset, the housing stock, is adequately protected. CBH have produced their own annual governance review that has been shared with the Council. There were no significant control weaknesses identified during the year that are required to be included in this statement.

CCSL is an 'arms-length' company that was set up to ensure that the Council's asset, the stadium, is adequately protected. The arrangements for the stadium have changed significantly since it was built, and Colchester United Football Club manage the day to day running of the premises. Therefore, a new agreement has been reached with the club as principal tenant and CCSL was liquidated on 31 March 2022.

The CCHL group was created to enable a more commercial approach to be taken to delivering revenue generating Council services and to develop innovative options for new services in the future, such as a heat exchange system for the Borough. Whilst the CCHL group are operating in a commercial environment, and therefore can take a different approach to service delivery, they are still delivering services on the Council's behalf. Therefore, it is necessary to ensure that it operates effectively to deliver the best possible outcomes for the Council. The activities of CCHL are monitored through the Council's Internal Audit programme and reported to the Council's Governance and Audit Committee. There were no significant control weaknesses, specific to CCHL, during 2020/21, that need to be included in this statement. However, the company has been operating for four years and it is recognised that there has been no independent review of the governance arrangements for the company since its inception.

The Council is the lead partner in the Colchester & Ipswich Museum Service. Due to the nature of the arrangement, the joint museum service conducts its own annual governance review which includes an assessment of internal control. Therefore, it is not intended to include any details relating to this service within this statement.

The North Essex Parking Partnership was created on 1 April 2011, with the Council as the lead partner. The partnership conducts its own annual governance review which includes an assessment of internal control. Therefore, it is not intended to include any details relating to the service within this statement.

Internal Audit Opinion

From the work undertaken in 2021/22, Internal Audit has provided reasonable assurance that the system of internal control that has been in place at the Council for the year ended 31 March 2022 accords with proper practice. This is excepting any details of significant internal control issues as documented hereafter. It is also the opinion of Internal Audit that the Council's corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Review of Actions from 2020/21 Statement

There were two actions included in the Annual Governance Statement for 2020/21:

- Cyber Security
- Partnerships

Cyber security continues to be a concern, as attacks become even more sophisticated. A Cyber Security Maturity audit has helped to assess processes and procedures, to ensure the Council is adapting systems appropriately. The Council is looking to implement a Security Information Event Management system to help monitor IT infrastructure, to improve cyber defences.

The review of the Council's partnership arrangements has confirmed key relationships and delivery objectives. The impact of the Health and Care Act has made the Integrated Care Systems statutory, strengthening the North East Essex Alliance, with integrated neighbourhood teams being rolled-out and clearer accountability arrangements with local government. The Senior Management Team will continue to update and refine partnership arrangements as service delivery requirements change.

It is considered that the actions undertaken in respect of the 2020/21 issues are sufficient to provide assurance that the two areas do not need to be included in the action plan for 2022/23.

Conclusion & Significant Governance Issues

Overall, the control arrangements in place during the 2021/22 financial year have been effective and were appropriate. However, the review has identified some areas where actions are required to ensure that the Council continues to provide appropriate and cost-effective services. The issues and action plans are shown in the table below. These will be monitored and reviewed via the Internal Audit review process during 2022/23

No.	Issue	Action
1.	Procurement There were two audits undertaken during the year that resulted in a limited assurance rating. One of these was an overview of the procurement process and the other related to the procurement and management of a specific supplier. Both audits highlighted concerns around formal tender and selection processes, aggregated spend and formal documentation including procedure rules.	The recommendations from the audits have been accepted and will be monitored as part of the follow-up process. Progress will be reported to the G&A committee as part of the audit monitoring report.
2.	External Audit Implications Whilst the Council cannot control the delivery of the external audit of the accounts, The Use of Resources assessment (that provides detail on areas of suggested improvement) for 20/21 is not now due to be received until September 2022. The failure of the External Audit contractor to deliver a timely service in assessing the Council's accounts could potentially mean that a financial governance issue is not resolved, and ultimately may impact on external assessment and partner challenge.	Pressure will continue to be applied on the External Auditors to delivery the reports as currently expected. This is an issue that is affecting many authorities currently, and the Council will continue to monitor national actions relating to external audit delivery.
3.	Company Governance The Council's holding company, Colchester Commercial Holdings Ltd, has now been operating for four years. It is therefore appropriate that the governance arrangements for the company are reviewed to ensure that they are operating as anticipated, in particular financial governance processes. This includes systems in place at the company, including financial management and reporting, as well as board responsibilities and skill set.	A review of the effectiveness of current company governance and financial arrangements will be undertaken, by an external advisor, during 22-23 with recommendations to considered at a future G&A meeting.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework, by the Governance and Audit Committee, and we propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

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Leader of the Council

.....
Chief Executive

on behalf of Colchester Borough Council

DRAFT
Colchester Borough Council
Annual Governance Statement – Action Plan for 2022/23

Significant Internal Control Issues – Relating to 2021/22 Financial Year

No.	Issue	Action	Due Date	Responsible Officer	How this Issue was Identified
1.	<p>Procurement</p> <p>There were two audits undertaken during the year that resulted in a limited assurance rating. One of these was an overview of the procurement process and the other related to the procurement and management of a specific supplier. Both audits highlighted concerns around formal tender and selection processes, aggregated spend and formal documentation including procedure rules.</p>	<p>The recommendations from the audits have been accepted and will be monitored as part of the follow-up process. Progress will be reported to the G&A committee as part of the audit monitoring report.</p>	31/12/22	Assistant Director Customer	Internal Audit process
2.	<p>External Audit Implications</p> <p>Whilst the Council cannot control the delivery of the external audit of the accounts, The Use of Resources assessment (that provides detail on areas of suggested improvement) for 20/21 is not now due to be received until September 2022. The failure of the External Audit contractor to deliver a timely service in assessing the Council's accounts could potentially mean that a financial governance issue is not resolved, and ultimately may impact on external assessment and partner challenge.</p>	<p>Pressure will continue to be applied on the External Auditors to delivery the reports as currently expected. This is an issue that is affecting many authorities currently, and the Council will continue to monitor national actions relating to external audit delivery.</p>	31/12/22	Assistant Director Corporate & Improvement Services	Interviews

Appendix 2

3	Company Governance The Council's holding company, Colchester Commercial Holdings Ltd, has now been operating for four years. It is therefore appropriate that the governance arrangements for the company are reviewed to ensure that they are operating as anticipated, in particular financial governance processes. This includes systems in place at the company, including financial management and reporting, as well as board responsibilities and skill set.	A review of the effectiveness of current company governance and financial arrangements will be undertaken, by an external advisor, during 22-23 with recommendations to considered at a future G&A meeting.	31/03/23	Assistant Director Place & Client Services	Interviews
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Governance and Audit Committee

Item
9

21 June 2022

Report of	Assistant Director Corporate and Improvement Services	Author	Matthew Evans ☎ ext. 8006
Title	Work Programme 2022-2023		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 This report sets out the current Work Programme 2022-2023 for the Governance and Audit Committee. This provides details of the reports that are scheduled for each meeting during the municipal year.

2. Recommended Decision

- 2.1 The Committee is asked to note the contents of the Work Programme for 2022-2023.

3. Reason for Recommended Decision

- 3.1 The Work Programme of this Committee is kept under review throughout the municipal year to ensure that business is progressed and Members have the opportunity to review upcoming agenda items.

4. Alternative Options

- 4.1 This function forms part of the Committee's Terms of Reference and, as such, no alternative options are presented.

5. Background Information

- 5.1 The Governance and Audit Committee deals with the approval of the Council's Statement of Accounts, audit, other miscellaneous regulatory matters and standards.
- 5.2 The Committee's Work Programme will evolve as the Municipal Year progresses and items of business are commenced and concluded. At each meeting the opportunity is taken for the Work Programme to be reviewed and, if necessary, amended according to current circumstances.

6. Standard References

- 6.1 There are no particular references to publicity or consultation considerations; or financial; equality, diversity and human rights; community safety; health and safety, environmental and sustainability implications or risk management implications.

7. Strategic Plan References

- 7.1 Governance is integral to the delivery of the Strategic Plan's priorities and direction for the Borough as set out under the four themes of growth, responsibility, opportunity and wellbeing.
- 7.2 The Council recognises that effective local government relies on establishing and maintaining the public's confidence, and that setting high standards of self-governance provides a clear and demonstrable lead. Effective governance underpins the implementation and application of all aspects of the Council's work.

WORK PROGRAMME 2022-23

Governance and Audit Committee
Meeting date / Agenda items -
Governance and Audit Committee - 21 June 2022
<ol style="list-style-type: none">1. Year End Internal Audit Assurance Report 2021/20222. Review of the Governance Framework and Draft Annual Governance Statement
Governance and Audit Committee - 26 July 2022
<ol style="list-style-type: none">1. Review of Governance Framework and Draft Annual Governance Statement2. Local Government Association Model Code of Conduct for Councillors3. 2021/2022 Revenue and Capital Outturn4. 2020/2021 Audit Letter and Opinion

Governance and Audit Committee - 6 September 2022

1. Draft Annual Statement of Accounts 2021/2022
2. Colchester Borough Homes Annual Report and Governance Statement
3. Revenue Monitoring Report – April to June 2022/23
4. Capital Expenditure Monitor April to June 2022/2023
5. 2021/2022 Year End Review of Risk Management

Governance and Audit Committee - 18 October 2022

1. Local Government and Social Care Ombudsman Annual Review 2021/2022
2. Health and Safety Policy and Annual Report
3. Colchester Commercial Holdings Limited – Annual report
4. Use of Resources Judgment 2020/2021
5. Treasury Management Report 2021/2022

Governance and Audit Committee – 22 November 2022

1. Revenue Monitoring Report – July to September 2022/232.
2. Capital Monitoring Report – July to September 2022/23
3. Review of the Council's Ethical Governance Policies
4. Annual Review of the Members' Code of Conduct and the Council's Localism Act "Arrangements"
5. Review of Local Code of Corporate Governance
6. Review of Member/Officer Protocol
7. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Employees
8. Treasury Management – Half Yearly Update

Governance and Audit Committee - 17 January 2023

1. Interim Review of the Annual Governance Statement Action Plan
2. Risk Management Progress Report
3. Mid-Year Internal Audit Assurance Report 2022/2023
4. CCHL Half-Year Performance Report
5. Annual Review of the Council's Companies' Business Plans
6. Annual Review of Business Continuity

Governance and Audit Committee - 7 March 2023
<ol style="list-style-type: none">1. Internal Audit Plan 2023/20242. Revenue Monitoring Report – October to December 2022/20233. Capital Monitoring Report – October to December 2022/2023