Governance and Audit Committee Meeting

Grand Jury Room, Town Hall, High Street, Colchester, CO1 1PJ Tuesday, 30 July 2019 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!

The Council welcomes contributions and representations from members of the public at most public meetings. If you would like to speak at a meeting and need to find out more, please refer to the Have Your Say! arrangements here: http://www.colchester.gov.uk/haveyoursay.

Audio Recording, Mobile phones and other devices

The Council audio records public meetings for live broadcast over the internet and the recordings are available to listen to afterwards on the Council's website. Audio recording, photography and filming of meetings by members of the public is also welcomed. Phones, tablets, laptops, cameras and other devices can be used at all meetings of the Council so long as this doesn't cause a disturbance. It is not permitted to use voice or camera flash functions and devices must be set to silent. Councillors can use devices to receive messages, to access meeting papers and information via the internet. Looking at or posting on social media by Committee members is at the discretion of the Chairman / Mayor who may choose to require all devices to be switched off at any time.

Access

There is wheelchair access to the Town Hall from St Runwald Street. There is an induction loop in all the meeting rooms. If you need help with reading or understanding this document please take it to the Library and Community Hub, Colchester Central Library, using the contact details below and we will try to provide a reading service, translation or other formats you may need.

Facilities

Toilets with lift access, if required, are on each floor of the Town Hall. A water dispenser is available on the first floor.

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www.colchester.gov.uk

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, 30 July 2019 at 18:00

The Governance and Audit Committee Members are:

Councillor Chris Pearson Councillor Sam McCarthy

Councillor Nick Barlow

Councillor Paul Dundas

Councillor Mark Goacher

Councillor Dennis Willetts

Councillor Barbara Wood

Chairman

Deputy Chairman

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, audio-recording 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 Have Your Say!

The Chairman will invite members of the public to indicate if they wish to speak or present a petition on any item included on the agenda or any other matter relating to the terms of reference of the meeting. Please indicate your wish to speak at this point if your name has not been noted by Council staff.

6 Audit of 2018/19 Accounts

7 - 48

The Committee have been asked to make the following recommendations;

To approve the 2019/20 Statement of Accounts

To receive the Audit Completion Report and take any necessary action

To sign the letter of representation set out in the Audit Completion Report

To consider any recommendation from the audit report

7 2018/19 Year End Review of Risk Management

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The Committee have been asked to consider and comment on the following;

the Council's progress and performance in managing risk during the period from April 18 to March 2019.

Consider and comment on the current strategic risk register.

Consider and comment on the proposed risk management strategy for 2019/20.

Endorse the submission of this report to Cabinet

8 Governance and Audit Work Programme 2019-20

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The Committee is asked to note the contents of the Committee's Work Programme for 2019-20

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

9 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).



Governance and Audit 30 July 2019

Item

Report of Assistant Director, Policy & Corporate Author Paul Cook

2 505861

Title Audit of 2018/19 Accounts

Wards All

affected

1 Executive Summary

- 1.1 BDO will present their Audit Completion Report to the Committee. A draft of the report is attached and BDO will update the meeting with any changes
- 1.2 This covering report draws out some of the main audit conclusions.

2 Recommended Decision

- 2.1 To approve the 2019/20 Statement of Accounts
- 2.2 To receive the Audit Completion Report and take any necessary action
- 2.3 To sign the letter of representation set out in the Audit Completion Report.
- 2.4 To consider any recommendation from the audit report.

3 Reason for Recommended Decision

3.1 To conclude the 2018/19 audit.

4 Alternative Options

4.1 None at this stage

5 Background Information

- 5.1 The statement of Accounts is required to be published by the 31st July. At the time of writing this report, the final set of accounts are still under review by our auditors however given the contents of the draft audit report, officers are not expecting any material changes.
- 5.2 The Audit Completion Report is summarised in the table below. References in the first column are the BDO page number.

Page	Finding	Comments
4	Unqualified opinion	
5	How BDO have determined	
	materiality levels	
6	No significant issues on financial	

	reporting, other matters or independence	
7	Audit Risks overview	
9	Revenue and expenditure recognition	No issues identified
10	Non-current asset valuations	No issues identified
12	Pension Liability Assumptions	There is a technical issue – McCloud – that may impact on the pension liability. This does not affect the Council budget directly.
14	Matters requiring additional consideration	No issues identified in relation to fraud; law and regulation; internal audit and related parties.
15	Adjusted and unadjusted audit differences	
19	Whole of government accounts	The Council is not required to produce these as it is below the threshold
20	Use of Resources	In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
23	Other Deficiencies	The audit is still being undertaken at the time of writing this report.
27	Audit Fees	These show a significant reduction compared to 2017/18

6 Strategic Plan References

6.1 The 2018/19 budget was underpinned by the Strategic Plan priorities and sought to preserve and shift resources where needed to support these priorities.

7 Financial implications

7.1 As set out in the report.

8 Equality and Diversity Implications

8.1 Consideration will be given to equality and diversity issues in respect audit recommendations. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

9 Risk Management Implications

9.1 As set out in the Audit Completion report

10 Consultation

10.1 Public access rights were available during the audit.

11 Other Standard References

11.1 There are no direct Publicity, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Background Papers

Draft Statement of Accounts

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We have pleasure in presenting our Audit Completion Report to the Governance and Audit Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2019, specific audit findings and areas requiring further discussion and/or the attention of the Governance and Audit Committee. At the completion stage of the audit it is essential that we engage with the Governance and Audit Committee on the results of our audit of the financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Governance and Audit Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Governance and Audit Committee will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

Lisa Clampin

19 July 2019



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Governance and Audit Committee and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

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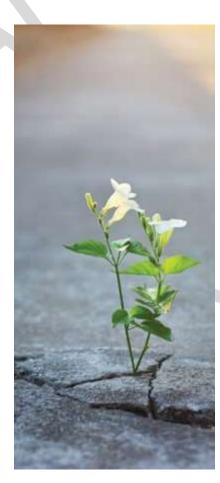
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This summary provides an overview of the audit matters that we believe are important to the Governance and Audit Committee in reviewing the results of the audit of the financial statements and use of resources of the Council for the year ended 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



Overview

We have completed the majority of our audit work and subject to the successful resolution of outstanding matters, we anticipate issuing our opinion on the financial statements and use of resources for the year ended 31 March 2019 in line with the agreed timetable.

Outstanding matters are listed on page 35 in the appendices.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Note, this report is currently in draft while we conclude our audit work, a final version will be issued. An oral update will be provided to the Committee at the meeting on the 30 July 2019.

Audit report

We anticipate issuing an unmodified audit opinion on the financial statements and an unmodified use of resources conclusion, subject to the completion of the outstanding work.

THE NUMBERS

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Final materiality

Final materiality was determined based on gross expenditure.

Changes were made to planning materiality as a result of net operating expenditure being higher than the average gross expenditure for the last two years (on which our planning materiality was based).

Material misstatements

Our audit did not identify any material misstatements.

Unadjusted audit differences

We have identified one unadjusted audit difference.

As a result of the Government not being given leave to appeal in relation to the "McCloud" Age discrimination case after the Council had authorised the accounts for issue on 30 May 2019, an adjustment is required to the accounts. It has been determined that the Council should account for the additional expected pension liabilities in 2018/19 as a result of the principals of this case being expected to also apply to the LGPS move from Final Salary to career average benefits.

If adjusted this would decrease the surplus on the provision of services by £1.9 million.



CLEARLY TRIVIAL £55,000



Unadjusted differences vs. materiality

0%

OTHER MATTERS

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Financial reporting

- Based on work to date we have not identified any non-compliance with accounting policies or the applicable accounting framework.
- IFRS 9 Financial Instruments is a significant accounting policy change that has impacted the current year. We are satisfied with this accounting treatment.
- Going concern disclosures are deemed sufficient.
- The Narrative Report and other information included in the Statement of Accounts within the financial statements is consistent with the financial statements and our knowledge acquired in the course of the audit.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- The Council is below the audit threshold of £500 million for a full assurance review of the Whole of Government Accounts Data Collection Tool.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- · Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Council in accordance with the Financial Reporting Council's Ethical Standard.



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AUDIT RISKS OVERVIEW

As identified in our Audit Plan dated 14 February 2019 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Estimates or Judgement	Use of Experts Required	Error Identified	Significant Control Findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	Work still on going	No	Work still on going
Revenue recognition	Significant	No	No	Work still ongoing	No	Work still on going
Property Plant & Equipment and Investment Property Valuation	Significant	Yes	Yes	No	No	No
Pension Liability Valuation	Significant	Yes	Yes	Yes [1] Work still ongoing	No	Work still ongoing

Areas requiring your attention

[1]Amendment arises as a result of the Government being refused leave to appeal the age discrimination case brought in relation to the New Judicial Pension scheme (known as the McCloud Judgement) and therefore this issue needs to be considered by an Employment Tribunal. This confirms the constructive obligation arising from the decision of the High Court in January 2019.

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ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

Significant risk	

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings

Letter of Representation point

Risk description

ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Work performed

We carried out the following planned audit procedures:

- Tested the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud.
- Obtained an understanding of the business rationale for significant transactions that were outside the normal course of business for the Council or that otherwise appeared to be unusual, if any.
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Results

Our audit work on journals has not identified any issues.

Our work to date on estimates has not identified any bias indicating a risk of material misstatement.

We did not identify any transactions outside the normal course of business for the Council.

REVENUE AND EXPENDITURE RECOGNITION

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Under auditing standards there is a presumption that income recognition presents a fraud risk.

Significant risk

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings

Letter of Representation point

Risk description

Under auditing Standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the completeness, accuracy and existence of income.

In particular, we consider there to be a significant risk in respect of the existence (recognition) and accuracy of revenue and capital of grants that are subject to performance and / or conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).

Following our interim work, we have concluded that we can rebut the risk relating to fees and charges being materially misstated.

As most public bodies are net spending bodies due to being partly grant funded, the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. Therefore we also consider there to be a significant risk around the completeness of expenditure.

Work performed

We carried out the following planned audit procedures:

· Tested an increased sample of grants subject to performance conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES.

Results and Conclusion

Our testing to date has not identified any issues, however we are working through a small number of samples. We expect to complete this work prior to the Governance and Audit Committee meeting.

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NON-CURRENT ASSET VALUATIONS

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There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

Significant risk Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings

Letter of Representation point

Risk description

Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the current value or fair value (as applicable) at the balance sheet date. PPE values are subject to valuation changes and material judgemental inputs and estimation techniques.

The Code requires management to carry out a full valuation of its land and buildings on a periodic basis (at least every 5 years). In the intervening years, management is required to assess whether there has been a material change in the value of its assets that should be accounted for.

As part of the 5 year rolling re-valuation programme, approximately 20% of the land and buildings assets have been revalued in 2018/19.

The Authority uses an external valuer to perform the valuation assessment.

Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we can rely on the management expert.
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their use.
- Reviewed the reasonableness of assumptions used in the valuation of non-current assets, the accuracy and completeness of the source data used by the valuer and the Council's critical assessment of the external valuer's conclusions.
- Confirm that the assets not specifically valued in the year have been assessed to ensure that their reported values remain materially correct.

Results and Conclusion

Our audit work in relation to the accuracy and completeness of the data provided to the valuer and the assumptions used by the valuer is still ongoing.

We have reviewed the instructions to the valuer and the valuers skills and expertise and have determined that we are able to rely on them.

We have reviewed the assets not specifically valued in the year and are content that the values remain materially correct.

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Significant accounting estimates

Overview

Land and buildings used by the council for operational purposes are valued by reference to existing use market values Investment properties are valued by reference to highest and best use market value.

We have benchmarked the valuation movements to land and building price indices for the year produced by Gerald Eve LLP and reviewed the information and assumptions used by the valuers.

Discussion

Land and Buildings have increased in 2018/19.

Land and buildings have been valued using an appropriate basis of valuation (such as existing use, depreciated replacement cost or market value) depending on the use of the asset.

We have reviewed the assumptions used by the valuer and are content that these are reasonable.

Our benchmark report for rebuild costs from the national BCIS Tender Price Index suggests an increase in value for depreciated replacement cost (DRC) valuations of +2.8%, although this is subject to a higher degree of volatility and estimation from regional costs and other factors.

Investment properties have decreased in 2018/9.

Our benchmark report for the eastern region suggests an increase of 3.1% for office space. The report is done on a regional basis and may not be granular enough for local circumstances.

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PENSION LIABILITY ASSUMPTIONS

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There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings

Letter of Representation point

Risk description

The net pension liability comprises the Council's share of the market value of assets held in the pension fund and the estimated future liability to pay pensions.

An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate is based on the roll forward of membership data from the 2016 triennial valuation exercise, updated at 31 March 2019 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. There is a risk the valuation is not based on appropriate membership data, where there are significant changes, or uses inappropriate assumptions to value the liability.

Work performed

- Reviewed the consulting actuary report over the competency and experience of the actuary and reasonableness of assumptions used.
- Reviewed the competence of the management expert (actuary).
- Agreed the disclosures to the information provided by the pension fund actuary.
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.
- Obtained assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary.
- · Checked whether any significant changes in membership data have been communicated to the actuary.

Results

No issues have been noted from our work to date, however we are still awaiting the assurance letter from the auditors of the Pension Fund.

The Government have been refused leave to appeal the age discrimination case brought in relation to the New Judicial Pension scheme (known as the McCloud Judgement). Therefore the accounts will require amendment to reflect the additional liability which is yet to be confirmed.

PENSION LIABILITY ASSUMPTIONS

Continued

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Significant accounting estimates

Pensions disclosures with the councils accounts are based on a number of assumptions which are made by the Actuary as Managements Expert.

The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows.

Colchester's share of the LGPS net pension liability reduced by £8.1 million to £94.6 million in the year. This includes an increase in scheme assets of £8.8 million from interest and gains on investments and an increase in liabilities of £0.6 million.

We have compared the assumptions used to an acceptable range and those used across the local government actuaries. The PwC consulting actuary review of the relative strength of the main assumptions suggests that the methodologies used will produce reasonable assumptions for all employers.

We have compared the key financial and demographic assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

Actual used	Acceptable range	Comments
3.40%	3.40 - 3.45%	Reasonable
2.40%	2.40 - 2.45%	Reasonable
3.90%	3.10 - 4.35%	Reasonable
2.40%	2.40 - 2.45%	Reasonable
2.4%	2.35- 2.45%	Reasonable
22.9 years	22.4 - 25.0	Reasonable
25.4 years	25.0 - 26.6	Reasonable
21.3 years	20.6 - 23.4	Reasonable
23.6 years	23.2 - 24.8	Reasonable
	3.40% 2.40% 3.90% 2.40% 2.4% 22.9 years 25.4 years 21.3 years	3.40% 3.40 - 3.45% 2.40 - 2.45% 3.90% 3.10 - 4.35% 2.40% 2.40 - 2.45% 2.45% 2.35- 2.45% 2.35- 2.45% 22.9 years 22.4 - 25.0 25.4 years 25.0 - 26.6 21.3 years 20.6 - 23.4

We note that the consulting actuary has stated that the assumptions used by Barnett Waddingham do tend to produce slightly lower LGPS liabilities calculations than the other actuaries, and the relative strength of assumptions compared to the average used by others could result in a liability being at 98.2% based on average of the assumptions used by all actuaries.

We consider that the assumptions and methodology used by the actuary are appropriate, and will result in an estimate of the net pension liability which falls within a reasonable range.

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Fraud

Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Plan on 14 February 2019.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Internal audit

We reviewed the audit work of the Council's internal audit function to assist our risk scoping at the planning stage.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We did not identify any significant matters in connection with related parties.



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AUDIT DIFFERENCES: SUMMARY

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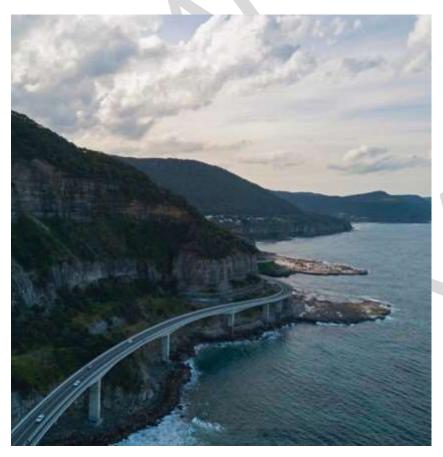
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Unadjusted audit differences

We are required to bring to your attention unadjusted differences and we request that you correct them.

As a result of the government not being given leave to appeal the McCloud case the Council has amended its accounts to reflect the potential increase in liability.

This decreased the draft surplus on the provision of services and decreased net assets by £1.9 million.

The general fund balance is not impacted as a result of these adjustments, however unusable reserves have decreased by £1.9 million.

We have no further unadjusted audit differences to bring to your attention although our work remains on going in certain areas. We will update the Governance and Audit Committee at the meeting on 30 July 2019.

Adjusted audit differences

We only identified amendments to disclosures these are recorded on page 17.

UN-ADJUSTED AUDIT DIFFERENCES: DETAIL

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	Income and expenditure			Statement of Financial Position	
Unadjusted audit differences	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Surplus on the provision of services before adjustments	(17,596)				
1: Change in Pension Liability as a result of the McCloud Judgement					
DR Pensions Past Service Cost		1,900			
CR Pensions reserve (unusable reserve)				1,900	
Total unadjusted audit differences	1,900				
Adjusted surplus on the provision of services	(15,696)				

DISCLOSURE OMISSIONS AND IMPROVEMENTS

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We are required to bring to your attention other financial reporting matters that the Governance and Audit Committee is required to consider.

Unadjusted disclosure omissions and improvements

We have no matters to report however our work is still on going and will be subject to quality reviews which may identify other matters to report.

Adjusted disclosure omissions and improvements

There were a number of notes in the Financial Statements which were immaterial and did not require disclosure. Management have reviewed the notes and agreed to streamline the accounts in 2019/20.

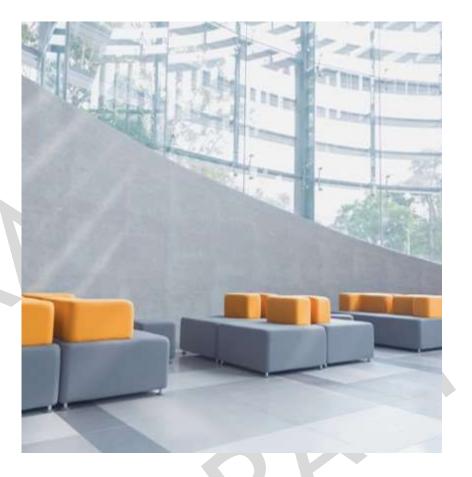
Minor amendments have been made to the amounts reported for related parties.

Minor narrative amendments have been made to the senior officers remuneration note.

Amendment to the note for financial instruments (short term debtors and short term creditors) to exclude HMRC balances and payments in advance.

Reclassification of capital grants in note 34.

Our work is still on going and will be subject to quality reviews which may identify other matters to report.



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We comment below on other reporting required to be considered in arriving at the final content of our audit report:

We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit. We are satisfied that the other information in the Narrative Report is consistent with the financial statements and our knowledge.

We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council. We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.

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Matter Comment

Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure. The Council falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.

Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 28 June 2019. The Council have submitted their WGA return.

We are planning to submit the relevant section of the assurance statement to the National Audit Office by 31 July 2019.

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OVERVIEW

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- · Informed decision making
- · Working with partners and other third parties.

As identified in our Audit Plan we assessed the following as being the most significant risk regarding use of resources.

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
Sustainable finances	Sustainable resource deployment	Significant	No

SUSTAINABLE RESOURCE DEPLOYMENT

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The Council will need to deliver significant savings to maintain financial sustainability in the medium term and there is a risk that these savings may not be delivered.

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Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings

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Risk description

In January 2018, the Council set a Medium Term Financial Forecast (MTFF) covering the period 2018/19 to 2021/22. The MTFF for this period identified a total cumulative budget gap of £2.6 million.

The Council identified savings plans amounting to £2.8m in order to achieve a balanced budget in 2018/19 and in 2019/20 the required level of savings is £1.5m. The savings targets are significant and achievement of these represents a significant challenge for the Council.

Work performed

We have:

- Reviewed the assumptions used in the Medium Term Financial Strategy, particularly around the likely levels of income from commercial activities.
- Reviewed the Council's capital/revenue planning for future capital projects and investments.
- Monitored the delivery of the budgeted savings in 2018/19 and the plans to deliver identified savings for 2019/20.
- Sampled a number of saving schemes/ plans.
- Held interviews with key officers.

Results and conclusion

The Council has appropriate arrangements in place to ensure that it can sustainably deploy resources in the medium term.

We have reviewed the MTFF and the assumptions used for revenue planning and are content that these are reasonable. The Council made a surplus compared to budget of £263k in 2018/19. The Council is budgeting a break even position for 2019/20, but requires the achievement of £1.5m of savings to achieve this. The council has a fully costed plan for the achievement of the £1.5m of savings and has achieved the savings planned for 2018/19. We sampled some savings schemes and could see the detailed evidence/ support behind these. Work is underway to identify the savings required to close the gap in the medium term, they have regular discussions at informal budget (cabinet meetings) and discussions at a recent away day. The Council has £7.9m of unallocated general fund balances so has sufficient resources to cover the gap in the medium term.

We reviewed the capital monitoring and could see that plans are on track to deliver the capital projects very close to budget.

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We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Governance and Audit Committee.

As the purpose of the audit is for us to express an opinion on the Council's financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We do not have any significant deficiencies to report.

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Area	Observation & implication	Recommendation	Management response	
Employment Taxes	A small sample of payments made in respect of termination of employment was examined.	It is recommended that the PAYE and NIC treatment of PILONs is reviewed and new procedures and policies are introduced as		
	It was noted that where the notice period was not worked in full, a Payment in Lieu of Notice (PILON) was not specifically identified as being paid for the remaining unworked notice period.	necessary.		,
	New rules were introduced in April 2018 which impose a charge to PAYE and NIC on any element of PILON. Moreover where a PILON is not specifically identified in respect of any element of unworked notice period, a sum within the compensation paid to the employee is identified equal to the PILON which would have been paid and is deemed to be chargeable to PAYE and NIC.			
	A charge to PAYE and (Employee's and Employer's) NIC has therefore arisen on elements of compensation paid to employees after April 2018 in circumstances where they were not required to work their notice period in full.			

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Area	Observation & implication	Recommendation	Management response
Employment Taxes	New rules regarding off-payroll workers apply to public sector bodies from April 2017.	In any circumstances where the Council engages an off-payroll worker directly, procedures should be in place to review	
	The changes require public sector organisations to determine whether individual service providers (whether self-employed or operating through limited companies) are operating in a capacity that represents employment. Where this applies, the organisation engaging the worker must operate PAYE and NIC on all payments made. If HMRC are able to successfully deem an off-payroll worker to be an employee within an existing arrangement, the engaging body can be liable of the arrears of PAYE and NIC. Interest and penalties could also apply.	the employment status of the worker in question. It is advised that HMRC's online "check employment status for tax" facility should be consulted and in any case of doubt appropriate professional advice should be taken. It is also recommended that a Councilwide review is carried out in order to identify any risk of off-payroll workers being engaged by individual departments and therefore not visible on a centralised basis.	
	We are advised that the Council is aware of this obligation and does not engage the services of off-payroll workers.		

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Opinion on financial statements

Based on work done to date we anticipate issuing an unmodified opinion on the financial statements.

There are no matters that we wish to draw attention to by way of an 'emphasis of matter'.

Conclusion on use of resources

We are proposing to issue an unmodified use of resources conclusion.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Council's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

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INDEPENDENCE

Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2019.

Details of services, other than audit, provided by us to the Council during the period and up to the date of this report are set out in the appendices and were provided in our Audit Plan. We understand that the provision of these services was approved by the Governance and Audit Committee in advance in accordance with the Council's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Plan.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and Independence.

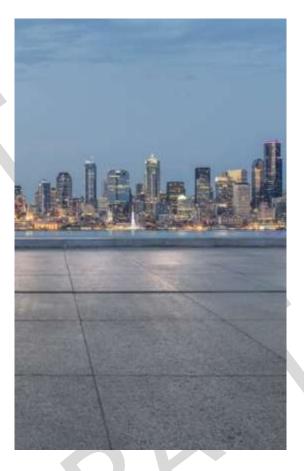
We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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Fees summary	2018/19	2018/19	2017/18
	Actual	Planned	Actual
	£	£	£
Audit fee			
 Code audit fee: financial statements and use of resources 	48,188	48,188	64,047
Non-audit assurance services			
Fees for reporting on government grants:			
Housing benefits subsidy claim	Work not	13,640	13,640
Fees for other non-audit services - Housing Pooled Capital Receipts grant claim	yet started	4,750	4,750
Total fees		66,578	82,437





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Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Council has not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Governance and Audit Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

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Those Charged with Governance (TCWG)

References in this report to those charged with governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Governance and Audit Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date communic	cated To whom
Fee Letter	27 April	2018 Governance and Audit Committee
Audit Plan	7 March	2019 Governance and Audit Committee
Final Audit Completion Report	30 July	2019 Governance and Audit Committee
Annual Audit Letter	August 2	2019* Governance and Audit Committee

*This is the deadline for the publication of the Annual Audit Letter - this will be presented to the next available Committee.

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We have completed the majority of our audit work in respect of the financial statements and use of resources for the year ended 31 March 2019.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Governance and Audit Committee meeting at which this report is considered:

Completion of audit testing:

- Reserves
- Housing and Council Tax benefits work for the accounts opinion
- Financial statement procedures
- · Receipt of remaining investment confirmations
- Receipt of revised accounts

Completion procedures:

- Completion of Manager and Partner reviews
- Completion of Subsequent events review
- Receipt of letter of representation



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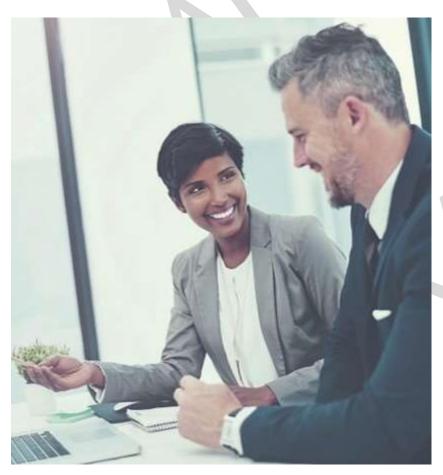
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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing all necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

Letter of representation

47 TI

16 The Havens

BDO LLP

Ransomes Europark

Ipswich

IP3 9SJ

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Dear Sirs

Financial statements of Colchester Borough Council for the year ended 31 March 2019

We confirm that the following representations given to you in connection with your audit of the Group and the Council' financial statements for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council and other Group entities.

The Head of Finance and S151 Officer has fulfilled his responsibilities for the preparation and presentation of the Group and the Council financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Group and the Council as of 31 March 2019 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Council have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

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Going concern

We have made an assessment of the Group and the Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Group and the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note Note 1 (AP1) to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Group and the Council's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

[Client name and Letter headed paper]

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Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 35 to the financial statements, there were no loans, transactions or arrangements between any Group entity and Council members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

Rate of inflation (RPI): 3.4%

- Rate of inflation (CPI): 2.4%
- Rate of increase in salaries: 3.9%
- Rate of increase in pensions: 2.4%
- Rate of discounting scheme liabilities: 2.4%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

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b) Valuation of other land and buildings and investment properties

We are satisfied that the useful economic lives of the other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for non-domestic rates, housing rent and sundry debt arrears are reasonable, based on collection rate data.

d) Non domestic rates appeals provision

We are satisfied that the provision recognised for non-domestic rates appeals is materially correct, and the calculation of historical appeals are consistent with those advised to me by the Valuation Office Agency. We confirm that the successful rates applied to outstanding appeals as at 31 March 2019 are consistent with our knowledge of the business.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Paul Cook

Head of Finance and \$151 Officer

[date]

Chair of Governance and Audit Committee

(date)

FOR MORE INFORMATION:

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Governance and Audit Committee

Item

30 July 2019

Report of Assistant Director of Policy &

Author

Hayley McGrath

Corporate

508902

Title 2018/

2018/19 Year End Review of Risk Management

Wards affected

Not applicable

1. Executive Summary

1.1 This report provides members with an overview of the Council's risk management activity undertaken during the financial year from 01 April 2018 to 31 March 2019.

- 1.2 Effective management of risk is essential to ensuring that the Council's aims and objectives are achieved. The Council has therefore approved a Risk Management Strategy, which is included in the policy framework. This provides a comprehensive risk management process that is embedded across the organisation and includes a strategic risk register (which is the responsibility of the senior management team), operational risk registers which are produced by each service, project risk monitoring and specific risk mitigation initiatives.
- 1.3 The Risk Management strategy and processes are reviewed annually to ensure that they are still appropriate to the Council's needs and continue to be effective in identifying and mitigating risks to its aims and objectives.

1.4 Key Messages:

- The highest level risk on the strategic risk register is the potential impact of the United Kingdom leaving the European Union. This is followed by the difficulty to compete with the private sector in the recruitment (and retention) of staff with key marketable skills.
- The potential impact of future government decisions to reduce public funding, failure or inappropriate management of a strategic partner and the delivery of the Garden Communities project, are still recognised as significant risks. These are outside of the direct control of the Council, however the impacts of these risks are mitigated as far as possible, and risks and controls identified in section 6 of the register Assets and Resources are a reflection of some of the work that is undertaken to ensure that the organisation can respond to these challenges.
- Risk Management principles continue to be reinforced and embedded in the
 organisation. The 2017/18 Annual Audit letter, issued by the Council's external
 auditors, Ernst & Young, in August 2018, did not include any findings of anticipated
 risks occurring. This is further demonstrated by the repeated 'substantial' assurance
 rating from the Internal Audit review of the Risk Management function.

2. Recommended Decision

- 2.1 Consider and comment on the Council's progress and performance in managing risk during the period from April 18 to March 2019.
- 2.2 Consider and comment on the current strategic risk register.
- 2.3 Consider and comment on the proposed risk management strategy for 2019/20.
- 2.4 Endorse the submission of this report to Cabinet.

3. Reason for Recommended Decision

- 3.1 The Risk Management Strategy, which forms part of the policy framework, identifies the Governance and Audit Committee as being responsible for reviewing the effectiveness of the risk management process and reporting progress to Cabinet at least annually.
- 3.2 As part of the Policy Framework, any changes and reviews of the strategy need to be approved by Cabinet and ratified by Full Council.

4. Alternative Options

4.1 There are no alternative options to consider

5. Background Information

- 5.1 The aim of the Council is to adopt best practice in the identification, evaluation, costeffective control and monitoring of risks across all processes, to ensure that risks are properly considered and reduced as far as practicable.
- 5.2 In broad terms risks are split into three categories:
 - Strategic those risks relating to the long term goals of the Council
 - Operational risks related to the day-to-day operation of each individual service
 - Project the delivery risks of specific initiatives.
- 5.3 Identified risks, in all three categories, are judged against levels of probability and impact to give them an overall score. This allows the risks to be shown as 'high, medium or low' which enables a prioritised action plan to be set for managing risks. A high score does not mean that a risk has, or will definitely, occur.
- 5.4 In many cases the causes of risks are outside of the Council's control, such as general economic issues. The Council cannot stop these risks from occurring (the probability score) but can put plans in place to mitigate against their effect if they occur (the impact score). Likewise, there are occasions that risks can be reduced with preventative actions but there is not much that can be done to mitigate their effect if they do occur, such as a failure to protect public resources. Therefore some risks will tend to maintain the same score, regardless of the controls that the Council puts in place.

6 Work undertaken during the period

- 6.1 There were no fundamental changes to the risk management function, or the processes used to identify and control risk, during 2018/19.
- 6.2 An audit of the risk management function was carried out in February 2019. This produced four priority 2 recommendations and two priority 3 recommendations. These related to standardising the operational risk registers, updating training and development of the risk processes within Colchester Commercial Holdings Limited.
- A significant proportion of the work undertaken during the year related to the preparations for the United Kingdom's exit from the European Union, especially around the possibility of there being no deal agreed for the exit. This included working with partners across Essex to mitigate the impacts.
- 6.4 Work has continued to develop the insurance and risk programmes for Colchester Commercial (Holdings) Limited, to ensure that emerging commercial risks are appropriately managed.
- 6.5 Support continues to be provided, reviewing the risk elements of event plans, to both the Colchester, and the Community Stadium, Safety Advisory Groups.
- 6.6 The risk registers for the Joint Museum Service and the North Essex Parking Partnership both continue to be produced and reported to the joint committees.

7 Strategic Risk Register

- 7.1 During 2018/19 the strategic risk register was reviewed by the senior management team every quarter and reported to the Governance & Audit Committee every six months. The current register is shown at appendix 1. These risks have been mapped onto a risk chart as shown at appendix 2.
- 7.2 The Corporate Governance Manager reviewed the strategic risks with each member of the Senior Management Team in March 2019, and in June 2019 the Performance Management Board (PMB) comprehensively reviewed the register to ensure that the identified risks were still appropriate.

8. Risk Management Strategy for 2019/20

- 8.1 The Council's current approach to managing risk was introduced in 2006/07. A requirement within the strategy, and also of the annual audit assessment, is to review the approach each year to ensure that it is still appropriate to the Council's needs.
- 8.2 Therefore a review has been undertaken and the strategy has been updated for 2019/20. The revised strategy is attached at appendix 3. There are no fundamental changes proposed to the risk process, with amendments only to external review comments and the updating of external guidance references.

9. Equality, Diversity and Human Rights implications

9.1 There are no equality, diversity or Human Rights implications as a result of this report.

10. Strategic Plan References

10.1 The strategic risk register reflects the objectives of the strategic plan and the actions have been set with due regard to the identified key strategic risks. Therefore the risk process supports the achievement of the strategic objectives.

11. Risk Management Implications

11.1 The failure to adequately identify and manage risks may have an effect on the ability of the Council to achieve its objectives and operate effectively.

12. Other Standard References

12.1 There are no particular references to consultation or publicity considerations or financial; community safety or health and safety implications.

Appendices

Appendix 1 – The strategic risk register

Appendix 2 – Strategic risk register score matrix

Appendix 3 – Risk Management Strategy for 2019/20

Colchester Borough Council – Corporate Strategic Risk Register July 2019 – September 2019

								1. AMBITION			
SCORE				RE						Timing	
Spec	ific Risks		Currer	nt	P	revio	us	Consequences	Actions	Owner	
		Р	I	0	Р	I	0				
1a	In a period of public sector resource reductions, the ability to have ambition and to deliver on that ambition.	3	2	6				Major changes needed to the town would not be delivered thus affecting the quality of life of its residents and businesses. Major downturn in public	Ensure the KPI and SPAP reporting processes are effectively used to inform senior management and politicians about the performance and direction of the organisation.	Assistant Director Policy and Corporate	September 2019
1b	Unrealistic internal and external expectations on the speed of delivery.	3	3	9				sector resourcing over the next few years will hamper the speed of delivery across the services	Ensure that the organisation has a clear		
1c	The Council is unable to effectively influence changes in the Borough economy.	3	4	12				provided. Poorer external assessments by independent agencies and loss of Council reputation.	strategy for working effectively with businesses in the borough, to develop the economy.	Strategic Director of Policy and Place	September 2019
1d	Over reliance on a limited number of people limits ability to deliver our ambition.	3	3	9				The Borough Council loses its status and influencing ability at sub-regional, regional and national levels.	Manage the recruitment and development processes to ensure that the organisation has the appropriate skills and expertise.	Chief Executive	September 2019

								2. CUSTOMERS			
				SCOF	RE						
	Specific Risks		Curren	_		revio		Consequences	Actions	Owner	Timing
		Р	ı	0	Р	I	0				
2a	The expectations of our customers, set alongside the financial constraints, will create challenges to service delivery, our channel shift ambitions and the reputation of the authority.	3	4	12				The Authority fails to deliver the standards of service and delivery which our customers expect, especially in relation to self-service and the reliance on technology capabilities.	Monitor the engagement and consultation processes, to ensure customers are able to inform service priorities and delivery, whilst managing their methods of interaction with the organisation. This will be evidenced by reporting the pattern of usage of the routes used by customers and savings achieved.	Strategic Director of Customer and Relationships	September 2019
2b	The expectation remains that the Council will step in to deliver services when other providers either fail or reduce service provision	3	3	9				The Council suffers from a loss of reputation as customers' expectations are not met. There is increased demand on existing services leading to a reduction in standards of delivery.	Ensure that Cabinet set a clear and consistent message about the role of CBC for customers and partners.	Strategic Director of Customer and Relationships	September 2019
2c	Impact of the implementation of Universal Credit in Colchester could lead to additional work for CBC to help customers apply for the new single benefit. There will be a transition period whereby residents move to the new application which could be difficult for some of our more vulnerable customers.	2	3	6				The Council fails to support our most vulnerable residents leading to an increase in crisis intervention.	Regularly monitor the impact of the resources allocated to the welfare reform project, to ensure that customers are supported with signposting to appropriate providers/partners.	Strategic Director of Customer and Relationships	September 2019

							-	3. PEOPLE			
Spec	cific Risks	SCORE Current Previous					ous	Consequence	Actions	Owner	Timing
	opeome raine		I	0	Р	I	0]g
	Unable to compete with the private sector in the recruitment (and							Decline in service performance Disengaged and	Communicate job opportunities and benefits of working at CBC clearly and imaginatively.	Assistant Director Policy and Corporate	September 2019
3a	retention) of staff with key marketable skills	5	3	15	4	3	12	demotivated staff Efficiency and productivity reduction	Review opportunities to do things differently for key posts including considering the value of trading companies.	Assistant Director Policy and Corporate	September 2019
	Staff motivation declines							Inability to meet changing requirements and needs Customer perceptions decline as we deliver less Loss of key staff	Monitor staff morale and trends using staff surveys and by monitoring the People Dashboard; and ensure good communications with staff, exploiting new technologies such as yammer.	Assistant Director Policy and Corporate	September 2019
3c	with an impact on service delivery, our capacity to make changes and implementation of budget efficiencies	3	4	12					Implement the action plan for the People Strategy; ensuring that performance is regularly monitored.	Assistant Director Policy and Corporate	September 2019
									Regularly report the progress of the learning and development strategy, including financial considerations and business behaviours, and exploring training alternatives.	Assistant Director Policy and Corporate	September 2019

								3. PEOPLE			
Sne	cific Risks		Currer	SCO nt		Previo	nus.	Consequence	Actions	Owner	Timing
Ope	Sille Maka	Р	I	0	P	I	0	Consequence	Actions	Owner	
3e	There is an increase in challenging behaviour from customers, towards officers, when the Council cannot meet the customer's expectations. Alongside partners being unable to provide support or having incorrectly signposted the customer to the Council.	3	3	9				Officers suffer potential mental and physical issues as a result of confrontations. The ability to assist the customer is reduced. Service delivery declines	Ensure that the Health & Safety reporting process is used to record instances of violence and aggression, with regular reporting to senior management. Develop an on-line training tool for staff, for managing difficult situations. Liaise with partners, such as Police and health, about expectations for vulnerable customers. Both in terms of emergency response to issues and services that the Council can, and cannot, provide.	Strategic Director of Customer and Relationships	September 2019

								4. HORIZON SCANNING			
	SCORE										
Spe	cific Risks	Р	Curre	nt o	P	Previo	us O	Consequence	Actions	Owner	Timing
4a	To continuously assess future challenges to ensure Council is fit for future purpose	2	4	8	<u> </u>	'		If not properly managed then either the Council will lose the opportunity to develop further or will have enforced changes to	Regularly monitor national trends and policy changes, ensure that CBC is represented on specialist network groups.	Strategic Director of Customer and Relationships	September 2019
4b	Not taking or creating opportunities to maximise the efficient delivery of services through shared provision, partnerships or commercial delivery	4	3	12				service delivery. Adverse impact on local residents / resources. Missed opportunities to	Identify and maintain skill set required to meet future challenges, maintain partnership relationships	Strategic Director of Policy and Place	September 2019
4c	Failure by the Council to spot / influence at an early stage the direction of Central Government policies / new legislation.	3	3	9				boost local economy. Conflict between Council / Government agendas. Reduction in levels of service provision and potential withdrawal of	Ensure that responses are considered and provided for consultations. Utilise specialist officer knowledge and ensure CBC representation on relevant working groups.	Assistant Director Policy and Corporate	September 2019
4d	Potential impact of future central government decisions on public funding, including that of our partners e.g. Fair Funding Review, Business Rates Retention	4	4	16				services.	Maintain a constant review of the budget situation, incl impact of decisions from central government. Identify additional actions and areas for spending as necessary.	Chief Operating Officer	September 2019
4e	The UK's withdrawal from the European Union is leading to a number of uncertainties. At the moment it is unclear how this will impact on the Council, our communities and businesses. There are different potential risks depending on the agreed exit arrangements	5	4	20					Continue to monitor the Government's announcements on the implications of the exit from the EU and to bring them to the attention of decision makers at the appropriate level, including the potential implications of a 'no deal'	Strategic Director of Policy and Place	September 2019

4. HORIZON SCANNING													
			SCO	RE									
Specific Risks		Curre	nt	Р	revio	JS	Consequence	Actions Owner	Timing				
	Р	ı	0	Р	I	0				_			
								Brexit.					

								5. PARTNERSHIPS			
Spe	cific Risks		Curre		F	revi	ious	Consequence	Actions	Owner	Timing
5a	Failure or inappropriate performance management of one or more strategic partnerships or key contracts E.g. Haven Gateway, LEP, Health, CBH, Emergency Services	4	4	16	P	1	0	decreases. Failure to deliver key priorities. Reputational and financial loss by the Authority. strategic partnerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT Strategic partnerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT of Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT of Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT of Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT of Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT of Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT of Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT of Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT of Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT of Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed of the Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed of the Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed of the Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed of the Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed of the Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed of the Polymerships (to ensure that they will satisfy the Council's objectives) that needs to be signed of the Polymerships (to ensure that they will satisfy the Council's objectives) that needs the poly		Strategic Director of Customer and Relationships & Strategic Director of Policy and Place	September 2019
5b	Change of direction / policy within key partner organisations and they revise input / withdraw from projects.	4	3	12				outcomes through partnerships Requirement to repay external funding granted to partnership – taking on the liabilities of the 'withdrawn' partner.	Set a formal relationship / performance review process to be used by all partnerships and ensure results are reported to senior management.		
5c	Potential inability to agree shared outcomes/ agendas with partners and the Council's ability to influence partner's performance.	3	4	12				External assessment of the Councils partnerships are critical and score poorly.	Ensure that Exec Board and Leadership review partnerships on a regular basis. Embed Scrutiny Cttee process for key partnerships including CBH and the Safer Colchester Partnership.	Strategic Director of Customer and Relationships	September 2019
5d	Working across the partners for delivery of the garden communities project encounters delay. The partners - Colchester BC, Tendring DC, Braintree DC, Essex CC and/or the landowners fail to agree objectives and actions	4	4	16				The project fails to deliver its objectives leading to increased costs as there would be delays in local plan progress and loss of reputation, as well as the long term effect on ability to generate investment into the area and meet housing and employment needs.	The North Essex Garden Communities (NEGC) Board allows the Authorities to co-ordinate their actions and resolve issues.	Strategic Director of Policy and Place	September 2019

								6. ASSETS & RESOURCES			
				SCC							
Spec	cific Risks	_	Curre		Previous P I O			Consequence	Actions	Owner	Timing
6a	Failure to protect public funds and resources – ineffective probity / monitoring systems	3	4	12			0	Service delivery failure Financial and reputational loss by the Authority Personal liability of Officers and Members. Legal actions against the Council Loss of stakeholder confidence in the Borough Inability to sustain costs	Ensure the outcomes of the assurance systems that form the internal control environment, (including Internal Audit, Risk Management, Budget process, Corporate Governance and performance management) are appropriately reported so that issues and concerns are managed, and variances are spotted at an early stage.	Chief Operating Officer	September 2019
6b	Risk that Asset Management is not fully linked to strategic priorities and not supported by appropriate resources	budget as planned. A need to use balances reserves or to adapt final plans to deal with impact changes. Required to use Reserves and not supported by appropriate resources 4 12 Required to use Reserves Resources to fund capital priorities Severe impact on cash-fileading to negative effects		A need to use balances / reserves or to adapt financial plans to deal with impact of changes. Required to use Reserves & Resources to fund capital	Review the budget monitoring process to ensure it reflects the structure and co-ordinates finances across the whole Council not just individual service areas. Ensure the continued development of the Revolving Investment Fund (RIF) and ensure that assets are used to	Chief Operating Officer Strategic Director Policy and Place	September 2019 September 2019				
								Resources to fund capital priorities	development of the Revolving Investment Fund (RIF) and ensure		

Continued.

						6. ASSETS & RESOURCES			
Spe	Specific Risks			SCC	RE	Consequence	Actions	Owner	Timing
6c	Inability to deliver the budget strategy as planned.	3	4	12			Ensure effective use of the controls built into the annual budget strategy, to enable the organisation to respond quickly to changes. Include sensitivity analysis to consider the impact of potential changes to external funding/ income streams and the capacity of the organisation to deliver services. Consider income risks as part of budget strategy / budget plans.	Chief Operating Officer	Annual exercise. Council approves budget in Feb annually
6d	Failure to set aside sufficient capital funds for strategic priorities	3	4	12			Monitor the review processes for the medium term financial outlook, capital programme and HRA business plan processes, to ensure they are kept up to date and realistic.	Chief Operating Officer	September 2019
6e	Significant reliance on our ICT presents challenges in maintaining customer service in the event of service interruptions.	2	5	10			Ensure that the IT Disaster Recovery plan, and service plans, adequately reflect the organisation's requirements and provide an effective framework for maintaining service provision. Regularly review the IT development strategy to ensure it continues to support the organisations ambitions.	Assistant Director Policy and Corporate	September 2019

	6. ASSETS & RESOURCES										
Spe	cific Risks		SCORE Consequence		Actions	Owner	Timing				
6f	Increasing demands around information security and data protection create a risk in the event that security and/or data breaches occur.	2	5	10				Review the IT security policies to ensure that they are fit for purpose and implement a training program for all staff.	Assistant Director Policy and Corporate	September 2019	

SCORE DEFINITIONS	1 Very Low	2 Low	3 Medium	4 High	5 Very High
Impact	Insignificant effect on delivery of services or achievement of Strategic Vision & Corporate Objectives.	Minor interruption to service delivery or minimal effect on Corporate Objectives.	Moderate interruption to overall service delivery/effect on Corporate Objectives or failure of an individual service.	Major interruption to overall service delivery or severe effect on Corporate Objectives.	Inability to provide services or failure to meet Corporate Objectives
Probability	10% May happen – unlikely	10 -25% Possible	26 – 50% Could easily happen	51 – 75% Very likely to happen	Over 75% Consider as certain

Risks Removed

1e The resource implications, including ICT, staffing and financial, of the UCC FSR are greater than anticipated. Removed July 15.

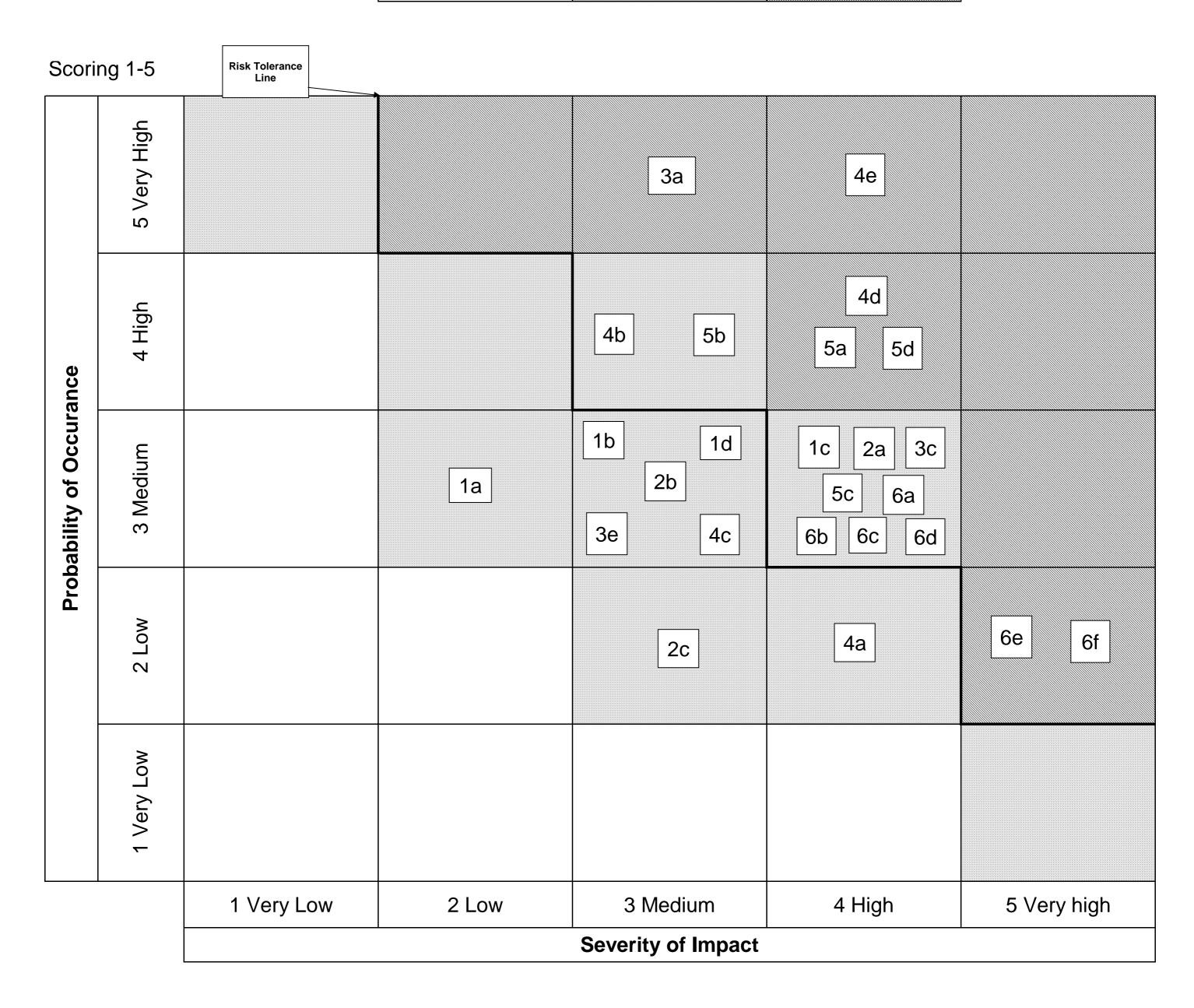
1f The organisation fails to recognise the tensions between aspirations and statutory functions. Removed October 17

3b Failure to sustain adequate resource to support training and development because of the financial situation. Removed July 15.

3d Failure to provide effective and visible political and managerial leadership. Removed July 15

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RISK MATRIX APPENDIX 2 Jul - Sep 2019



Removed Risks

1e The resource implications, including ICT, staffing and financial, of the UCC FSR are greater than anticipated. Reference to recognise the tensions between aspirations and statutory functions. Removed October 3b Failure to sustain adequate resource to support training and development because of the financial situation. Re

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DRAFT Risk Management Strategy 2019/20

A guide to the Council's approach to managing risk. Draft for committee approval.

RISK MANAGEMENT STRATEGY

This document outlines the Council's commitment to managing risk in an effective and appropriate manner. It is intended to be used as the framework for delivery of the Risk Management function and provides guidance to ensure management of risk is a routine process for all services.

INTRODUCTION

Strategy will ensure that:

- 1. The management of risk contributes towards ensuring effective service delivery and the achievement of the Council's strategic objectives.
- 2. Members and the Senior Management Team own, lead and support on risk management.
- 3. Ownership and accountability are clearly assigned for the management of risks throughout the Council.
- 4. There is a commitment to embedding risk management into the Council's culture and organisational processes, at all levels, including strategic, programme, project and operational
- 5. All members and officers acknowledge and understand the importance of risk management as a good governance process, by which key risks and opportunities are identified, evaluated and managed.
- 6. Effective monitoring and reporting mechanisms are in place to continuously review the Council's exposure to, and management of, risks and opportunities.
- 7. Best practice systems for managing risk are used throughout the Council, including mechanisms for monitoring and reviewing effectiveness against agreed standards and targets.
- 8. Accountability to stakeholders is fully demonstrated through periodic progress reports and an annual statement on the effectiveness of and the added value (benefits) from the Council's risk management strategy, framework and processes.
- 9. Where possible the Council's approach is regularly assessed by an external, independent body against other public sector organisations, national standards and Best Practice.
- 10. The Risk Management Strategy is reviewed and updated annually in line with the Council's developing needs and requirements.

Endorsement by Adrian Pritchard, Chief Executive

"Colchester Borough Council is committed to ensuring that risks to the effective delivery of its services and achievement of its overall objectives are properly and adequately controlled. It is recognised that effective management of risk will enable the Council to maximise its opportunities and enhance the value of services it provides to the community. Colchester Borough Council expects all officers and members to have due regard for risk when carrying out their duties."

A.R. Pritchard.

WHAT IS RISK MANAGEMENT

Risk Management is the control of business risks in a manner consistent with the principles of economy, efficiency and effectiveness. It is an essential performance management process to ensure that both the long and short term objectives of the Council are achieved and that opportunities are fully maximised.

Risk Management is not about eliminating risk, as this would limit the ability of the organisation to develop and deliver its ambitions. Its purpose is to recognise the issues that could effect the achievement of objectives and develop actions to control, or reduce, those risks. Acknowledgement of potential problems and preparing for them is an essential element to successfully delivering any service or project. Good management of risk will enable the Council to rapidly respond to change and develop innovative responses to challenges and opportunities.

The 'Delivering Good Governance in Local Government' 2016 framework, jointly issued by The Chartered Institute of Public Finance & Accountancy and the Society of Local Authority Chief states that there are seven core principles of good governance including 'Managing risks and performance through robust internal control and strong public financial management'. The document goes on to state 'Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.'

BACKGROUND

A process for managing risks was first adopted by the Council in 2003 and since then has been developed to ensure that it continues to be an effective management system. This strategy defines Colchester Borough Council's definition of risk and the processes to be followed.

In broad terms risks are split into three categories:

- Strategic those risks relating to the long term goals of the Council.
- Operational risks related to the day-to-day operation of each individual service.
- Project consideration of the risks occurring as a result of the Council's involvement in specific initiatives.

The following are some of the practical ways that risks are managed and how effectiveness is measured:

- Provision of a comprehensive strategic register, that is regularly reviewed.
- Provision of operational risk registers for all service areas.
- Consideration of risk in Committee reports.
- Development of a comprehensive risk register for the project management programme and consideration of risk as a project management tool.
- Successful internal and external assessment.
- Provision of advice to other authorities regarding our management of risk.

This has led to a practical and workable approach to managing risk, whichhas resulted in the Council becoming more risk aware and actually taking more risks, as demonstrated by the comprehensive project risk register. Colchester is also highly regarded for managing risk by both our insurers and other authorities.

The 2018/19 internal audit of risk management gave a substantial assurance opinion. Six recommendations were raised during the audit relating to embedding the risk management process in Colchester Commercial Holdings Company Ltd, development of e-learning and reporting of operational risk registers.

OWNERSHIP

The responsibility to manage risk rests with every member and officer of the Council however it is essential that there is a clearly defined structure for the co-ordination and review of risk information and ownership of the process.

Appendix 3 is from the CIPFA/SOLACE risk management guide, Chance or Choice. It is a generic map of responsibility for each part of the risk management process.

The following defines the responsibility for the risk management process at Colchester:

Cabinet – Overall ownership of the risk management process and endorsement of the strategic direction of risk management.

Portfolio Holder for Business and Resources – Lead Member for the risk management process

Governance and Audit Committee – Responsible for reviewing the effectiveness of the risk management process and reporting critical items to Cabinet as necessary.

Performance Management Board (PMB) – Ownership of the strategic risks and overview of the operational risks. Actively support the Risk Management Strategy and framework.

Chief Operating Officer – Lead officer for the risk management process, demonstrating commitment to manage risk.

Assistant Director Policy & Corporate – Responsible for co-ordination of the risk management process, co-ordinating and preparing reports and providing advice and support.

All Assistant Directors – Ownership, control and reporting of their service's operational risks. Contribute to the development of a risk management culture in their teams.

All Employees – To understand and to take ownership of the need to identify, assess, and help manage risk in their individual areas of responsibility. Bringing to the management's attention at the earliest opportunity details of any emerging risks that may adversely impact on service delivery.

Internal Audit, External Audit and other Review Bodies – Annual review and report on the Council's arrangements for managing risk throughout the Council, having regard to statutory requirements and best practice. Assurance on the effectiveness of risk management and the control environment.

AIMS & OBJECTIVES

The aim of the Council is to adopt best practices in the identification, evaluation, cost-effective control and monitoring of risks across all processes to ensure that risks are properly considered and reduced as far as practicable.

The risk management objectives of Colchester Borough Council are to:

- Integrate risk management into the culture of the Council
- Ensure that there are strong and identifiable links between managing risk and all other management and performance processes.
- Manage risk in accordance with best practice
- Anticipate and respond to changing social, environmental and legislative requirements
- Prevent injury, damage and losses and reduce the cost of risk
- Raise awareness of the need for risk management by all those connected with the Council's delivery of services.
- Ensure that opportunities are properly maximised through the control of risk.
- Reduce duplication between services in managing overlapping risks and promote 'best practise'.

STRATEGIC RISK MANAGEMENT

Strategic risks are essentially those that threaten the long term goals of the Council and therefore are mainly based around meeting the objectives of the Strategic Plan. They may also represent developing issues that have the potential to fundamentally effect service provision, such as proposals to dramatically change the corporate assessment process.

Strategic risks will be controlled using a register that will detail the risks and associated controls. The register will be owned by the Senior Management Team, with ownership for risks being assigned to individual officers, and will be reviewed every quarter. The strategic risks will be reported to the Governance & Audit Committee at least twice a year.

OPERATIONAL RISK MANAGEMENT

Operational risks are those that threaten the routine service delivery of the Council. Each service area will have their own operational risk register that details the risks associated with providing the service. These registers will be reported, in summary format, to the Senior Management Team and committee on an annual basis. High risks and the success in controlling them will be reported to Senior Management Team on a quarterly basis, as these will help in the formulation of the strategic risk register.

LINKS

It is essential that risk management does not operate in isolation to other management processes. To fully embed a risk management culture it has to be demonstrated that risk is considered and influences all decisions that the Council makes. It is essential that there is a defined link between the results of managing risk and the following:

- The Strategic Plan
- Service Plans
- Revenue and Capital Budgets
- Annual Internal Audit Plan

ACTION REQUIRED

The following actions will be implemented to achieve the objectives set out above:

- Considering risk management as part of the Council's strategic planning and corporate governance arrangements.
- Ensuring that the responsibility for risk management is clearly and appropriately allocated
- Maintaining documented procedures for managing risk
- Maintaining a corporate approach to identify and prioritise key services and key risks across the Council and assess risks on key projects.
- Maintain a corporate mechanism to evaluate these key risks and determine if they are being adequately managed and financed.
- Establish a procedure for ensuring that there is a cohesive approach to linking the risks to other management processes
- Including risk management considerations in all committee reports
- Providing risk management awareness training to both members and officers.
- Developing risk management performance indicators.
- Establishing a reporting system which will provide assurance on how well the Council is managing its key risks and ensures that the appropriate Members and officers are fully briefed on risk issues.
- Preparing contingency plans in areas where there is a potential for an occurrence to have a significant effect on the Council and its business capability.
- Regularly reviewing the risk process to ensure that it complies with current national Governance Standards and Best Practice.
- Developing risk management links with key partners and contractors, to ensure that principles are adopted in all areas of service delivery.

REVIEW

To ensure that the risk management process is effective it will need to be measured and reported to P.M.B., Governance & Audit Committee and Cabinet. As well as a structured reporting process of risks and controls during the year there will need to be an annual review demonstrating the success of the following:

- The inclusion of risk management principles within Service Plans and budgets.
- The development of the Internal Audit plan based on the risk issues.
- Achievement against identified performance indicators.
- Members consistently ensuring managing risk is considered as part of the decision making processes within the Council.
- Service managers making recommendations that regard risk as an opportunity as well as a threat.
- Risk management principles being considered in service reviews, for example in areas such as options for change and service improvements.
- Changes in risk being independently identified and assessed by Service Managers
- Compliance with the use of resources criteria and self assessment requirements.

Suitable opportunities to benchmark the risk management service against other organisations should also be explored, to ensure that it is effective and the work carried out by the Council conforms to best practise.

The three appendices attached give greater detail of key areas:

Appendix 1 – Outline of the risk management process

Appendix 2 – Details of how Risk Management will be reported.

Appendix 3 – CIPFA guidance on Risk Management Responsibilities

APPENDIX 1

The Risk Management Process

Risk Management is a continual process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them and / or responding to them. The risks faced by the Council are constantly changing and the continual process of monitoring risks should ensure that we can respond to the new challenges. This process is referred to as the risk management cycle.

Stage 1 - Risk Identification

Identifying and understanding the hazards and risks facing the council is crucial if informed decisions are to be made about policies or service delivery methods. There is detailed guidance available on how to identify risks which includes team sessions and individual knowledge. Once identified a risk should be reported to the relevant Assistant Director who will consider its inclusion on the relevant risk register. If the risk is identified in between register reviews then it is reported to the Risk & Resilience Manager for information and the Head of Service is responsible for managing the risk.

Stage 2 - Risk Analysis

Once risks have been identified they need to be systematically and accurately assessed. If a risk is seen to be unacceptable, then steps need to be taken to control or respond to it.

Stage 3 - Risk Control

Risk control is the process of taking action to minimise the likelihood of the risk event occurring and / or reducing the severity of the consequences should it occur.

Stage 4 - Risk Monitoring

The risk management process does not finish with the risk control procedures in place. Their effectiveness in controlling risk must be monitored and reviewed. It is also important to assess whether the nature of the risk has changed over time.

APPENDIX 2

Reporting

No matter how good the process to identify and control risks is, it will not be effective unless the information gained from it is reported and used to influence other management issues / processes. Therefore, it is essential that there is a defined process and timetable for reporting the results of the risk management process to both members and officers.

Types of Report

- ➤ The strategic risk register is reviewed a minimum of twice yearly by P.M.B., with interim reports quarterly as required.
- Six monthly review of the operational risk registers and a summary report of these reviews to P.M.B.
- Project risks are reported through the project management process and reported to the project management board. Significant issues will also be included in the reporting process to P.M.B.
- A six monthly report is provided to Committee (Governance and Audit) detailing the current strategic and high level operational risks and the progress made in controlling them.
- An annual report reviewing Risk Management activity and an action plan for the coming year – taking into account changes in methodology and results of internal and external reviews. Going to P.M.B., Governance & Audit and Cabinet.
- Ad-hoc reports need to be provided to P.M.B. when new, significant risk issues arise.

The reports can be summarised as follows:

	Services	P.M.B.	Governance & Audit	Cabinet
Quarterly		Review of strategic risk register		
6 Monthly	Review of operational risk register	Summary of operational review from services	Progress report of strategic & high level operational risks	
Yearly		Scrutiny of annual progress report to cttee on R.M.	Endorsement of annual progress report on R.M.	Summary of past years work on R.M.

Appendix 3

Risk Management Responsibilities - CIPFA / SOLACE Guidance

	Framework, Strategy and Process	Identifying risk	Analysing Risk	Profiling risk	Prioritising action based on risk appetite	Determining action on risk	Controlling risk	Monitoring & Reporting	Reporting to external stakeholders.
Members	Agreeing the Framework, Strategy and Process Determined by Officers	Identifying risk	Analysing Risk	Profiling Risk	Determining the risk appetite and prioritising risk. Agreeing the priorities determined by officers			Reviewing the effectiveness of the risk management process.	Reporting to external stakeholders on the framework, strategy, process and effectiveness.
Risk Management Team	Providing advice And support to the executive Management Team and Members	Providing advice and support.	Providing Advice and support	Providing advice and support	Providing advice and support			Co-ordinating the results for reporting to the corporate management team and members	
Senior Management Team	Determining the framework, Strategy and Process	Identifying strategic and cross-cutting issues	Analysing Strategic and cross-cutting issues.	Profiling strategic and cross-cutting issues.	Determining the risk appetite and prioritising strategic and cross-cutting issues	Determining action on strategic and cross-cutting issues. Delegating responsibility for control.		Monitoring progress on managing strategic and cross-cutting risks and reviewing the implementation of the risk management framework, strategy and process. Reporting to members.	Reporting to external stakeholders on the framework, strategy, process and effectiveness.
Assistant Director Policy & Corporate	Providing Advice and Support	Providing advice and support	Providing advice and support	Providing advice and support	Providing advice and support	Providing advice and support	Providing advice and support	Co-ordinating the results for reporting to the executive management team and members	Preparing draft reports for the corporate management team and members to issue.
Service Managers / G.M.T's		Identifying service Risks	Analysing Service risks.	Profiling service risks.	Prioritising action on service risks.	Determining action on service risks. Delegating responsibility for control.		Monitoring progress on managing service risks. Reporting to the group management team	
Employees, contractors And partners		Maintaining awareness of risks and feeding these into the formal process.	Maintaining awareness impact of risks and feeding information into the processes				Controlling risk in their jobs.	Monitoring progress on Managing job related risks Reporting to the service manager.	



Governance and Audit Committee

Item 8

30 July 2019

Report of Assistant Director of Policy and

Author

Zoe Gentry 506055 ™

Corporate

Work Programme 2019-20

Wards affected

Title

Not applicable

1. Executive Summary

1.1 This report sets out the current Work Programme 2019-2020 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 Committee's Work Programme for 2019-20.

3. Alternative Options

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

4. Background Information

- 4.1 The Governance and Audit Committee deals with the approval of the Council's Statement of Accounts, audit, other miscellaneous regulatory matters and standards.
- 4.2 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.

5. Standard References

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

6. Strategic Plan References

- 6.1 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.
- 6.2 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 2019-20

Governance and Audit Commit

Meeting date / Agenda items -

Governance and Audit Committee - 25 June 2019

Reports to be received by 14 June 2019

Governance and Audit Committee briefing – 18 June 2019 6.30pm

- 1. Draft Annual Statement of Accounts 2018/19
- 2. Year End Internal Audit Assurance Report 2018/19
- 3. Review of the Governance Framework and Draft Annual Governance Statement
- 4. Committee on Standards in Public Life Consultation on Local Government Ethical Standards Response
- 5. Polling District and Polling Place Review
- 6. CCHL Annual report

Governance and Audit Committee - 30 July 2019

Reports to be received by 19 July 2019

Governance and Audit Committee briefing – 23 July 2019 6pm followed by Statement of Accounts training session

- 1. Audited Statement of Accounts 2018/19 and Annual Audit letter
- 2. 2018/19 Year End Review of Risk Management

Governance and Audit Committee - 3 September 2019

Reports to be received by 23 August 2019

Governance and Audit Committee briefing - 27 August 2019 6pm

- 1. Colchester Borough Homes Annual Report and Governance Statement
- 2. Financial Monitoring Report April to June 2019
- 3. Capital Expenditure Monitor 2019/20
- 4. Treasury Management 18/19 Report

Governance and Audit Committee - 29 October 2019

Reports to be received by 18 October 2019

Governance and Audit Committee briefing – 21 October 2019 6pm

- 1. Local Government and Social Care Ombudsman Annual Review 2018/19
- 2. Health and Safety Policy and Annual Report
- 3. Equality and Safeguarding Annual Update

Governance and Audit Committee – 26 November 2019 Reports to be received by 15 November

Governance and Audit Committee Briefing –19 November 2019 6pm

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- 1. Review of the Council's Ethical Governance Policies
- 2. Annual Review of the Members' Code of Conduct and the Council's Localism Act "Arrangements"
- 3. Review of Local Code of Corporate Governance
- 4. Review of Member/Officer Protocol
- 5. Gifts and Hospitality Review of Guidance for Councillors and Policy for Employees
- 6. Treasury Management Half Yearly Update
- 7. Annual Review of Business Continuity

Governance and Audit Committee - 21 January 2020 Reports to be received by 10 January 2020

Governance and Audit Committee briefing – 14 January 2020 6pm

- 1. Certification of Claims and Returns Annual Report 2018/19
- 2. Interim Review of the Annual Governance Statement Action Plan
- 3. Risk Management Progress Report
- 4. Mid-Year Internal Audit Assurance Report 2019/20
- 5. CCHL Half-Year Performance Report
- 6. Annual Review of the Council's Companies' Business Plans

Governance and Audit Committee - 10 March 2020

Reports to be received by 28 February 2020

Governance and Audit Committee briefing – 3 March 2020 6pm

- 1. External Audit Plan for year ending 31 March 2020
- 2. Financial Monitoring Report
- 3. Capital Expenditure Monitor 2019/20
- 4. Internal Audit Plan 2020/21

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