

# Governance and Audit Committee Meeting

**Grand Jury Room, Town Hall, High Street,  
Colchester, CO1 1PJ  
Tuesday, 10 July 2018 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**

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

## **Accounts and Audit**

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

## **Governance**

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

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

## **Other regulatory matters**

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

To determine and approve Community Governance Reviews.

## **Standards in relation to Member Conduct**

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

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

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

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

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

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

## **General**

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

Consider and review the activities and financial performance of Colchester Commercial (Holdings) Limited and its subsidiary companies, those Council services generating income of approximately £250,000 and above, and any other partly or wholly owned company of the Council.

To receive, review and recommend Colchester Commercial (Holdings) Limited's business plans (including its subsidiary companies) annually.

To monitor, challenge and make recommendations to Cabinet regarding Colchester Commercial (Holdings) Limited and its subsidiary companies and other Council services with significant income streams.

To make recommendations to Cabinet on how it should exercise the functions flowing from its ownership of shares in Colchester Commercial (Holdings) Limited and its subsidiary companies.

To recommend the constitution and appointment of the Board of Directors of Colchester Commercial (Holdings) Limited to Cabinet.

**COLCHESTER BOROUGH COUNCIL**  
**Governance and Audit Committee**  
**Tuesday, 10 July 2018 at 18:00**

**Member:**

Councillor Adam Fox  
Councillor Helen Chuah  
Councillor Robert Davidson  
Councillor Theresa Higgins  
Councillor Fiona Maclean  
Councillor Lorcan Whitehead  
Councillor Dennis Willetts

Chairman  
Deputy Chairman

**Substitutes:**

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

**AGENDA - Part A**  
(open to the public including the press)

**Members of the public may wish to note that Agenda items 1 to 5 are normally brief.**

**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 Minutes of Previous Meeting**

The Councillors will be invited to confirm that the minutes are a correct record of the meeting held on 5 June 2018.

**5 June 2018**

9 - 14

**6 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.

**7 Annual Statement of Accounts 2017/18**

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This report asks the Committee to accept the Audit Results report for the year ending 31 March 2018 and to approve the audited Statement of Accounts and the letter of representation.

**8 Review of Meetings and Ways of Working – Digital Agendas Update**

63 - 68

This report provides an update on the digital agendas trial conducted by the Governance and Audit Committee and Scrutiny Panel which formed part of the Review of Meetings and Ways of Working. The report identifies issues identified during the trial and measures taken to assist with the transition to digital only meetings. It is intended that measures outlined in the report will allow for all Colchester Borough Council Committees to become digital.

**9 Work Programme 2018-19**

69 - 72

This report sets out the current Work Programme 2018-2019 for the Governance and Audit Committee. This provides details of the reports that are scheduled for each meeting during the municipal year.

**10 Exclusion of the Public (not Scrutiny or Executive)**

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

**Part B**

(not open to the public including the press)





## **GOVERNANCE AND AUDIT COMMITTEE**

### **5 JUNE 2018**

*Present:-* Councillor Fox (Chair), Councillor F Maclean, Councillor Whitehead and Councillor Willetts

*Substitutes:-* Councillor Cope for Councillor Higgins  
Councillor Flores for Councillor Davidson  
Councillor Hogg for Councillor Chuah

#### **105. Have Your Say!**

##### **Angel Kalyan**

Angel Kalyan attended the Governance and Audit Committee meeting to have her say regarding requesting action required as a result of a complaint that she had written to the Local Government Ombudsman.

Angel Kalyan stated that the complaint relates to officers in paid service of the Council and local ward Councillors who have been advised not to engage with her following legal advice from the monitoring officer. Following on from this Angel Kalyan explained that after writing to the Local Government Ombudsman, the ombudsman advised that the matter would need to be considered by the Council's Standards Committee before further consideration by the Ombudsman.

#### **106. Urgent Item – Colchester Commercial Holdings New Director Appointments**

**Councillor Flores (by reason being nominated as a Director of Colchester Commercial (Holding) Company Ltd) declared a non-pecuniary interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7 (5).**

Councillor Fox informed the Committee that this report had been added to the agenda as an urgent item as the decision needs to be confirmed at the Cabinet meeting on 6 June 2018.

Andrew Weavers provided a brief summary of the report, and highlighted that the Governance and Audit Committee was now the shareholder committee for Colchester Commercial (Holdings) Ltd. This means that the Governance and Audit Committee will also receive business plans and other reports relating to the commercial companies.

Andrew Weavers stated that the appointments are made on a political group basis, and as there is a vacancy from both the Conservative and Labour groups the nominees are from these political groups. The Conservative group have nominated Councillor Vic Flores and the Labour group have nominated Councillor Julie Young.

## **Have Your Say!**

### **Portfolio Holder for Commercial Services - Councillor Nick Barlow**

Portfolio Holder for Commercial Services Councillor Nick Barlow attended the meeting to put on record the thanks to the work of the previous directors on the Colchester Commercial (Holdings) board, Councillors Feltham, Fox and Davies.

Councillor Barlow highlighted that he is the incoming Chair of the Colchester Commercial (Holdings) Ltd board and looks forward to working with the new nominated directors. Councillor Barlow also highlighted that he would be happy to attend future Governance and Audit Committee meetings to answer any queries and bring reports in relation to the commercial companies.

Councillor Barlow also wanted to express his thanks, as previous Chairman of the Governance and Audit Committee, to the officers and report authors who supported the Committee in its work during the last municipal year and going forward into the new municipal year.

The Chairman thanked Councillor Barlow for attending the meeting and highlighting his willingness to work with the Governance and Audit Committee.

#### **RESOLVED;**

- a) that the resignation of Councillor Fox and Councillor Davies as nominee directors of Colchester Commercial (Holdings) Ltd be noted.
- b) to RECOMMEND to CABINET that Councillor Julie Young and Councillor Vic Flores be appointed nominee directors to the board of Colchester Commercial (Holdings) Ltd.

### **107. Minutes**

*RESOLVED* that the minutes of the meeting held on the 6 March and 23 May 2018 were considered as a correct record.

### **108. Year End Internal Audit Assurance Report 2017-18**

Hayley McGrath, Corporate Governance Manager, introduced the Year End Internal Audit Assurance Report 2017-18. The report requests that the Committee review and comment on internal audit activity for the period between 1 October 2017 and 31 March 2018, and the performance of internal audit by reference to national best practice benchmarks.

Hayley McGrath provided the Committee with a summary of the report and highlighted that internal audit is undertaken by Mazars, an external provider, who have been in place a number of years. Hayley McGrath informed Committee members that two reports come to the Committee each year, a mid-year and end of year report.

Hayley McGrath informed Committee members that the past year had been a good year with four audits receiving full assurance and all but one other audit achieving substantial ratings. Hayley McGrath stated that the full audit rating for payroll was particularly pleasing as this is a key financial audit. Further information on the audit with limited assurance and the two priority one recommendations is included within the appendix.

Committee members expressed thanks to officers for the work undertaken. A member of the Committee asked for further information regarding the checking of staff ID on the premises recommendation for the Hollytrees Museum audit. In response Hayley McGrath stated that museum also has staff facilities on site and that whilst the site was being audited there was a possibility that a member of the audit team would have been able to access those areas and therefore an additional outcome was recommended.

*RESOLVED* that the Governance and Audit Committee reviewed and commented on the internal audit activity for the period 1 October 2017 to 31 March 2018 and the performance of internal audit by reference to national best practice benchmarks.

### **109. Review of the Governance Framework and Draft Annual Governance Statement**

Hayley McGrath, Corporate Governance Manager, introduced the report which requests that the Committee consider and note the review the Councils compliance with seven principles of good governance, including the review of effectiveness of the internal control arrangements. The report also requests the Committee approve the Annual Governance Statement for 2017/18.

Hayley McGrath informed the Committee that the Council has a duty to review the governance arrangements once a year, to ensure that they are appropriate and meet the seven principles of good governance, which is based on the CIPFA and SOLACE guidance document.

The review of the governance framework consists of looking at the arrangements for audit in the Council as a well as conducting interviews with senior management on a one to one basis reviewing the previous year alongside the seven principles of good governance. This also involves looking at policies and produces and committee structure of the organisation. A significant element to the report is the Head of Internal Audit Report produced by Mazars, which provided a substantial assurance rating that the financial and non-financial systems are working appropriately. Hayley McGrath also highlighted that the governance review looks at Colchester Borough Homes and the Colchester Community Stadium Company to ensure that they are working appropriately. Hayley McGrath confirmed that the statement uses prescribed wording to provide the relevant assurances.

As part of the statement it is necessary to identify those internal control areas which require action. This relates to areas where control arrangements could be improved rather than where a specific issue has occurred. Hayley McGrath highlighted that a more detailed action plan of these items is included within Appendix 2.

The role of the Committee is to approve the Annual Governance Statement, which is included as part of the Statement of Accounts and verified by external auditors.

Committee members thanked the officers for the work undertaken. Further information was requested with regards to the relationship between the Council and the Partnerships. Hayley McGrath confirmed that for the North Essex Parking Partnership and the Colchester and Ipswich Museum Service, Annual Governance Statements are reported directly to their Joint Committees. The partnerships do not have to complete a statement due to the size, but it is good practice to complete governance reviews.

A further query was raised with regard to how the new Council owned companies would be

governed. In response Andrew Weavers, Monitoring Officer, confirmed that the companies have a group governance arrangement in place. This maps out the arrangement between the Council and each subsidiary company. The Governance and Audit Committee, as the shareholder Committee will receive reports from the board of Colchester Commercial Holdings with regard to the financial performance of the company and how it is performing against its targets. Hayley McGrath also confirmed that the companies would be listed within next year's Annual Governance Statement in a similar way to how Colchester Borough Homes is currently reported.

*RESOLVED* that;

- a) The review of the Council's compliance with the seven principles of good governance including the review of effectiveness of the internal control arrangements be noted.
- b) That the Annual Governance Statement for 2017/18 be noted.

#### **110. Draft Annual Statement of Accounts 2017/18**

Steve Heath, Finance Manager, introduced the Draft Annual Statement of Accounts report. The report requests that the Committee consider the report relating to the pre-audit Statement of Accounts for 2017/18 and to consider the proposal for a separate internal briefing for the Committee prior to the scheduled meeting for approving the audited accounts on 10 July 2018.

Steve Heath informed the Committee that the deadlines for submitting the statement of accounts have now moved forward to 31 May. Steve Heath confirmed that Colchester Borough Council certified the statement of accounts on 24 May and the draft statement has now been published on the Council's website for public inspection until 8 June. Steve Heath highlighted that in preparation for the Committee meeting on 10 July a briefing would be arranged for members of the Committee, which would provide an opportunity to discuss any queries from the auditors.

Steve Heath explained that the format of the accounts now provides a clear link from the outturn that will be reported to the Scrutiny Panel next Tuesday.

With regard to the external audit of the accounts, the final accounts audit started on 21 May and is progressing well, with the findings reported to the Committee on 10 July.

*RESOLVED* that;

- a) The report relating to the pre-audit Statement of Accounts for 2017/18 be noted.
- b) The proposal for a separate internal briefing session for the Committee prior to the scheduled meeting for approval of the audited accounts of 10 July 2018 be approved.

#### **111. Audit Fees 2018/19**

Steve Heath, Finance Manager introduced the Audit Fees 2018/19 report. The report requests that the Committee note the proposed audit fees for 2018/19.

Steve Heath informed members that the audit fees do not relate to 2017/18 audit which is being performed by Ernst and Young. This refers to next year's audit, which will be undertaken by new auditors BDO. The audit plan for next year's audit will be brought to the Committee in March next year.

Steve Heath stated that BDO will be the Council's external auditors for the next five years and that Ernst and Young had been auditors since the Audit Commission. With regard to the fee, Steve Heath stated that the fee of £48,188 is less than was budgeted for, however this could be subject to adjustment during the year.

Following a query from a member of the Committee, Steve Heath confirmed that Ernst and Young had the audit contract for a period of five years, this was then extended for one more year. Procurement for a new auditor was conducted centrally by Public Sector audit appointments and BDO won the part of the procurement that Colchester Borough Council is part of, which contains most of the larger authorities in Essex.

Steve Heath also provided clarification on the difference between internal and external audits. Steve Heath stated that internal audit focuses on the internal controls around how the Council works, whereas external audits are when auditors look at the accounts to assess whether they represent a true and fair view of the expenditure and balances.

In response to a question about the reduction in fees and whether this represents a reduction in the amount of audit work undertaken. Steve Heath stated that the reduction is a standard scale fee. The cost savings were achieved through procurement, which would not change the scope or volume of audit work required. Steve Heath stated that the total audit fee may change slightly due to the new Council companies and the arm's length management organisation, which increases the complexity of an audit.

With regard to the Colchester Commercial Holdings companies, Steve Heath confirmed that they will have their own arrangements for external audit, but will be part of the group accounts reported in the statement of accounts. This will be reflected in next year's statement of accounts and accountants may wish to do a small amount of work to check on the group accounts figures. Steve Heath highlighted that the Council and the new companies use the same accounting software which will assist with the speed of the checks and that there wouldn't be duplication in the two different audits.

*RESOLVED* that the audit fees for 2018/19 be noted

## **112. Committee on Standards in Public Life Response to Consultation on Local Government Ethical Standards**

Andrew Weavers, Monitoring Officer, introduced the Committee on Standards in Public Life response to Consultation on Local Government Ethical Standards report. The report requests that the Committee note the Council's response to the stakeholder consultation by the Committee on Standards in Public Life in relation to Local Government Ethical Standards.

Andrew Weavers informed the Committee that this is being noted by the Committee following a report to the Governance and Audit Committee on 6 March 2018. At this meeting it was agreed that a survey would be set up for Councillors to respond to, prior to a response being formed in consultation with the Chairman and Group Spokespersons. Andrew Weavers highlighted that there had been a total of 12 responses from Councillors to the survey. Andrew Weavers confirmed that responses to the consultation were anonymised, with no information passed on to Officers or Councillors as requested at the Committee meeting on 6 March. The report provides a copy of the response that was submitted back to the Committee on Standards in Public Life.

Committee members welcomed the report and noted the information contained within the response. It was suggested further work on the subject matters raised in the letter could be brought back to the Committee for further discussion at a future meeting. Andrew Weavers highlighted that the Committee would be reviewing the Members Code of Conduct at its meeting in October.

In response to a query Andrew Weavers confirmed that the letter had been acknowledged by the Committee on Standards in Public Life however there was no timescale as yet for when a response to the consultation will be provided. The Committee on Standards in Public Life will compile a report to provide to the Government who will then decide whether changes to the existing regime is required.

Members of the Committee discussed issues around the Code of Conduct, the current arrangements and the lack of binding sanctions. Andrew Weavers highlighted that the old Standards Committee had powers to suspend Councillors, however this never occurred at Colchester Borough Council. The current arrangements have non-binding sanctions, which may cause concern to members of the public who see that there are no real consequences to a breach of the code of conduct and therefore may deter members of the public from making complaints.

In response to a question as to whether candidates have any rules or regulations about their conduct, Andrew Weavers stated that there is guidance available for candidates however it is completely separate to this regime. If a candidate repeatedly flaunts the guidance, then it would be a case of reporting them to the electoral commission.

Members of the Committee discussed online abuse and conduct, as the response included information stating that there is a gap in the current ethical regime in relation to Councillor to Councillor respect for each other. Committee members agreed that this needed to be improved and a Member of the Committee highlighted the need for mental health awareness. Andrew Weavers highlighted that social media training had been provided to Councillors at the beginning of the municipal year, and that 15 members had attended.

*RESOLVED* that the response to the stakeholder consultation by the Committee on Standards in Public Life in relation to Local Government Ethical Standards be noted.

### **113. Work Programme 2018-19**

Jonathan Baker, Democratic Services Officer, introduced the Work programme report, which requests that the Committee note the work programme for the ensuing municipal year.

Jonathan Baker provided information regarding the items that are on the work programme during the year, and informed the Committee that the Review of Meetings and Ways of Working had been moved to the July meeting.

Members of the Committee suggested that the October meeting be received due to the significant number of items that are on the agenda.

*RESOLVED* that the Work Programme 2018-19 be noted.

10 July 2018

<b>Report of</b>	<b>Assistant Director, Policy &amp; Corporate</b>	<b>Author</b>	<b>Steve Heath</b>
<b>Title</b>	<b>Annual Statement of Accounts 2017/18</b>		<b>☎ 282389</b>
<b>Wards affected</b>	Not applicable		

## 1. Executive Summary

- 1.1 The Council's External Auditors' Audit Results Report (ARR) on the Council's Statement of Accounts for 2017/18 is attached to this report as a separate document. The main points arising in the report are summarised in the following paragraphs.
- 1.2 The Audit Planning Report that was presented to this Committee on 6 March highlighted the key areas of focus, which are detailed in Section 2 of the ARR. The work on these areas identified one audit difference relating to the Council's pension scheme liability, which has been adjusted. This is detailed below.
- 1.3 Section 4 of the ARR states that the audit identified a small number of minor disclosure adjustments within the accounts that were all amended during the course of the audit. There were no errors identified that have not been adjusted.
- 1.4 The Auditor has a responsibility to be satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This is detailed in Section 5 of the ARR. The Auditor did not identify any significant risks around these criteria.
- 1.5 The report shows that the Auditor expects to issue an unqualified opinion on the financial statements in advance of the new statutory deadline of 31 July.

## 2. Recommended Decision

- 2.1 To:
  - Accept the Audit Results Report for the year ending 31 March 2018,
  - Note the comments in this covering report,
  - Approve the letter of representation, and
  - Approve the audited Statement of Accounts.

## 3. Reason for Recommended Decision

- 3.1 The approval of the Statement of Accounts meets a statutory requirement for financial reporting and is an important part of the process to demonstrate accountability in the use of public funds.

## 4. Alternative Options

- 4.1 Not applicable.

## **5. Statement of Accounts 2017/18**

- 5.1 The pre-audit Statement of Accounts (SOA) was certified by the Section 151 Officer on 24 May, which is in accordance with the new statutory deadline. A report was presented to this Committee on 5 June highlighting the availability of the draft accounts, and explaining the key financial statements.
- 5.2 The Council's draft statement of accounts contained one material audit difference relating to the Pension Scheme Liability on its Balance Sheet. The issue was identified by the auditors of the pension fund administering authority, and relates to the estimation methodology required to enable timely reporting of pension information. In this instance the estimation of total pension fund assets made by the actuary at the end of February was materially different to the year-end value of pensions' assets. This led to the actuary providing an updated year-end report, which showed an adjustment to the Council's pensions asset figure of £3.359 million. This had an impact of increasing the Pension Scheme Liability figure from £99.405 million to £102.764 million. It should be noted that this issue has affected a number of the authorities that form part of the Essex Pension Fund.
- 5.3 The Auditors' work on the 2017/18 accounts has now been substantially completed. The issues raised during the audit have been discussed with the Auditor and dealt with, and the Statement of Accounts is being agreed. The presentation of the attached Draft Audit Results Report to those charged with governance is the final stage in the process to approve the Council's Statement of Accounts.
- 5.4 In line with International Standards of Auditing, the Auditor requests a general letter of representation in support of the SOA. This provides assurance about the information within the SOA and any issues that could arise between the end of the financial year and the conclusion of the audit. A draft of the letter required, which will be signed by the Section 151 Officer and the Chair of the Governance and Audit Committee, is attached to this report.
- 5.5 In keeping with the usual practice the published statement, including the Auditor's opinion, will be submitted to the Committee following conclusion of the audit.

## **6. Strategic Plan References**

- 6.1 The objectives and priorities of the Strategic Plan informed all stages of the budget process for 2017/18.

## **7. Publicity Considerations**

- 7.1 The accounts were open for public inspection from Tuesday 29 May to Monday 9 July to meet our legal duties. These dates were shown on the Council's website and can be accessed via the link below:

<https://www.colchester.gov.uk/info/cbc-article/?catid=annual-reports&id=KA-01664>

## **8. Financial Implications**

- 8.1 Section 8 of the Audit Results Report highlights a variation to the scale fee of £1,465, which is due to additional work performed on prior year comparator adjustments, pensions adjustments and additional work in relation to valuation assumptions.



## **9. Other Standard References**

- 9.1 Having considered consultation, equality, diversity and human rights, community safety, health and safety and risk management implications, there are none that are significant to the matters in this report.

### **Background Papers**

#### **Attached to this report:**

Draft Audit Results Report  
Draft Letter of Representation

#### **Available on the Council's website:**

Draft Statement of Accounts 2017/18 (updated)

<https://www.colchester.gov.uk/info/cbc-article/?catid=annual-reports&id=KA-01764>

Draft Annual Statement of Accounts – Report to Governance & Audit Committee on 5 June 2018

<https://colchester.cmis.uk.com/colchester/MeetingCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/598/Committee/35/Default.aspx>



# **Colchester Borough Council Audit results report**

Year ended 31 March 2018

June 2018



26 June 2018

Dear Governance and Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Governance and Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Colchester Borough Council for 2017/18.

We have substantially completed our audit of Colchester Borough Council (the Authority) for the year ended 31 March 2018. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Governance and Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We recognise that the Authority agreed to be one of the first of our clients to be audited in this challenging year and would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Governance and Audit Committee meeting on 10 July 2018.

Yours faithfully

Kevin Suter

Associate Partner  
For and on behalf of Ernst & Young LLP  
Encl

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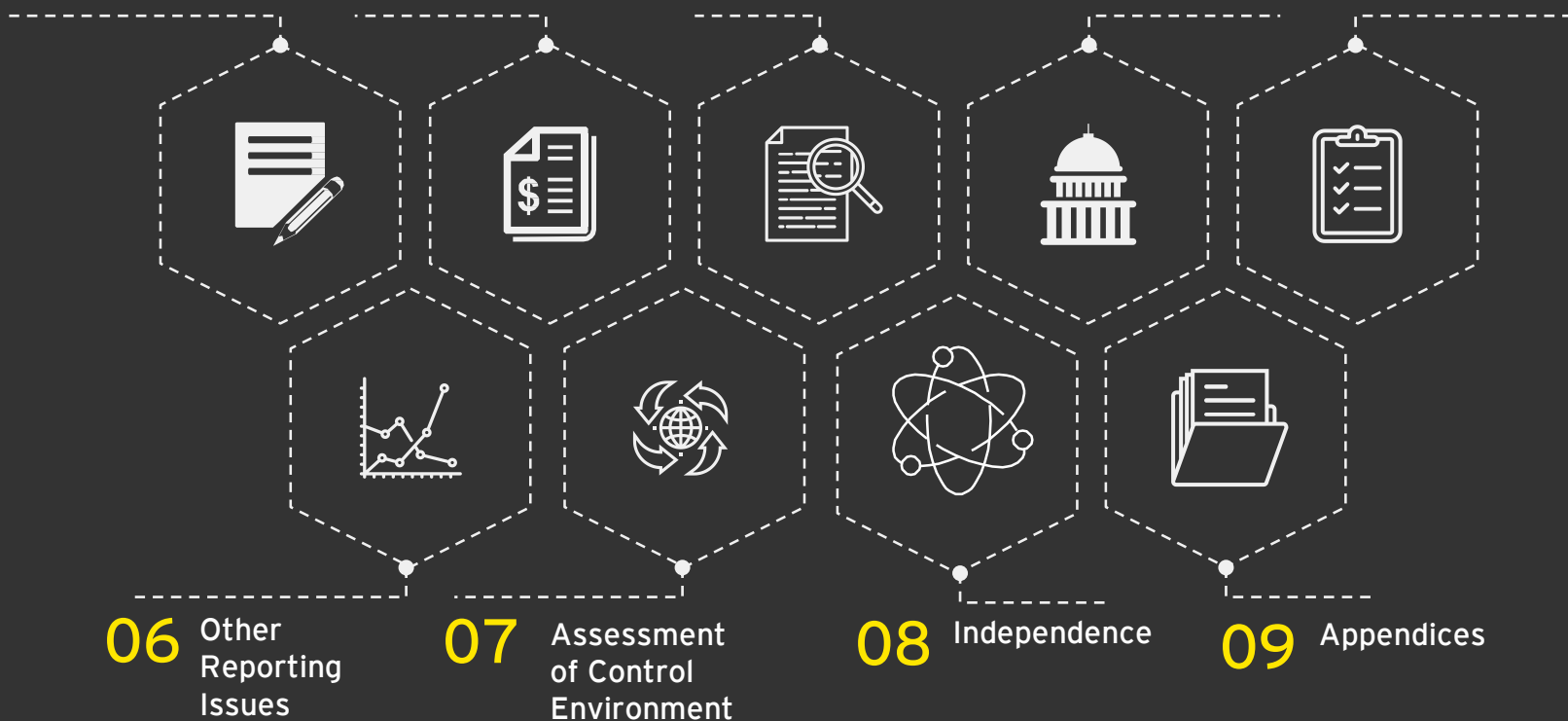
## 01 Executive Summary

## 02 Areas of Audit Focus

## 03 Audit Report

## 04 Audit Differences

## 05 Value for Money



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance and Audit Committee and management of Colchester Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance and Audit Committee, and management of Colchester Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance and Audit Committee and management of Colchester Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





01

# Executive Summary



## Executive Summary

### Scope update

In our audit planning report presented at the 6 March 2018 Governance and Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ Changes in materiality: We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £2.7m (Audit Planning Report – £2.8m). This results in updated performance materiality, at 75% of overall materiality, of £2.0m, and an updated threshold for reporting misstatements of £0.136m.

### Status of the audit

We have substantially completed our audit of Colchester Borough Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3:

- ▶ Completion of procedures of non-material disclosures
- ▶ Completion of cash flow consistency checks
- ▶ Completion of minor grant claim work
- ▶ Completion of journals testing
- ▶ A few outstanding third party confirmations for investments and loans
- ▶ Final review procedures
- ▶ Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission
- ▶ Receipt and review of a revised set of statements incorporating audit adjustments
- ▶ Receipt of the signed management representation letter (see Appendix B)

We expect to issue the audit certificate at the same time as the audit opinion.



## Executive Summary

### Audit differences

There are no unadjusted audit differences arising from our audit.

We identified one audit difference with an aggregated impact of £3.359 million in the Authority's Pension Scheme Liability. Management have agreed to adjust this audit difference which has no impact on the net worth of the Authority. Details can be found in Section 4 Audit Differences.

Until our work is complete, further amendments may arise. We will update the Committee should any further adjustments arise from our remaining work.

### Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Colchester Borough Council's financial statements. This report sets out our observations and conclusions, including our views, if any, on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We did not identify any new key areas of focus since the Audit Planning Report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Governance and Audit Committee.

### Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.





## Executive Summary

### Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we did not identify any significant risks in this regard.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. However as the Council is below the anticipated testing threshold set by the NAO we do not expect to have any issues to report.

We have no other matters to report.

### Independence

Please refer to Section 8 for our update on Independence.



02

## Areas of Audit Focus



## Areas of Audit Focus

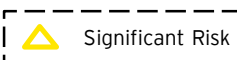
### Significant risk

#### Risk of Fraud in Revenue and Expenditure Recognition

##### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.



##### What judgements are we focused on?

We focused on:

- ▶ Understanding the controls put in place by management relevant to this significant risk.
- ▶ Considering whether or not purchase invoices were being inappropriately classified as capital.
- ▶ Whether management were inappropriately processing journals that transferred amounts from revenue to capital.

##### What did we do?

- ▶ Documented our understanding of the controls relevant to this significant risk and confirmed they have been appropriately designed.
- ▶ Reviewed and discussed with management any accounting estimates and policies on revenue or expenditure recognition for evidence of bias;
- ▶ Obtained breakdown of capital additions in the year and reviewed the descriptions to identify any items that could be revenue in nature.
- ▶ Designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes.

##### What are our conclusions?

Our testing did not identify any material misstatements from revenue and expenditure recognition. We judged all capital additions to be appropriately supported.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.



## Areas of Audit Focus

### Significant risk

#### Risk of Management Override

##### What is the risk?

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.



Significant Risk

##### What judgements are we focused on?

We focused on the following:

- ▶ Understanding the risks of fraud and the controls put in place to address those risks by management and how the Governance and Audit Committee oversees management's processes over fraud.
- ▶ Considering the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures in respect of journal entries, estimates and significant unusual transactions.

##### What did we do?

- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Reviewed accounting estimates for evidence of management bias;
- ▶ Evaluated the business rationale for significant unusual transactions; and
- ▶ Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

##### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.



## Areas of Audit Focus

### Other areas of audit focus

#### Property, Plant and Equipment Valuation

##### What is the risk?

Property, Plant and Equipment (PPE) represents a material item on the Council's balance sheet. PPE is initially measured at cost and then revalued to fair value (determined by the amount that would be paid for the asset in its existing use) on a 5 year rolling basis. This is carried out by an expert valuer and is based on a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

##### What judgements are we focused on?

We focused on the following:

- ▶ The adequacy of the scope of the work performed by the value including their professional capabilities
- ▶ The reasonableness of the underlying assumptions used by the Authority's expert valuer

##### What did we do?

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Sample tested key asset information used by the valuers in performing their valuation.
- ▶ Considered revaluations in year, the basis of valuation of significant assets and any significant changes in use to ensure they remain appropriate if circumstances changed.
- ▶ Reviewed assets not subject to full valuation in 2017/18 to confirm that the remaining asset base is not materially misstated.

##### What are our conclusions?

Our testing did not identify any material misstatements from property, plant and equipment valuation.

Overall our audit work did not identify any material issues or concerns with the scope of work or underlying assumptions used by the Authority's valuer.

Our consideration of the annual cycle of valuations did not identify any issues with the implemented plan or with the movement on assets not revalued in year.



## Areas of Audit Focus

### Other areas of audit focus

#### Pension Valuation and Disclosures

##### What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.

The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the Essex Pension Fund.

As part of their actuarial review, councils are being asked to make additional payments to the pensions scheme to fund deficits.

##### What judgements are we focused on?

We focused on the following:

- ▶ The reasonableness of the underlying assumptions used by the Authority's expert - Barnett Waddingham.
- ▶ Ensuring the information supplied to the actuary in relation to Colchester Borough Council was complete and accurate
- ▶ Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from Barnett Waddingham.

##### What did we do?

- ▶ Liaised with the auditors of the administering authority (Essex County Council), to obtain assurances over the information supplied to the actuary in relation to Colchester Borough Council.
- ▶ Assessed the work of the Pension Fund actuary including the estimations and judgements they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team.
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

##### What are our conclusions?

We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required with no issues identified.

We have identified one issue with the estimation of total pension fund assets used by the actuary. Due to the timing of their estimation for total fund assets there was a material difference with the year-end Pension Fund value. This resulted in the year-end report from Barnett Waddingham being re-run and an adjustment to the asset figure of £3.359 million has been made.

Details can be found in Section 4 Audit Differences.





## 03 Audit Report



# Audit Report

## Draft audit report

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COLCHESTER BOROUGH COUNCIL

##### Opinion

We have audited the financial statements of Colchester Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- the related notes 1 to 42 to the Authority Accounts, including the Authority Expenditure and Funding Analysis, and notes G1 to G14 to the Group Accounts,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and related notes H1 to H12; and
- Collection Fund and the related notes C1 to C5.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Colchester Borough Council and Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you **where**:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The other information comprises the information included in the Statement of Accounts 2017/18, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

##### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in August 2017, we are satisfied that, in all significant respects, Colchester Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

##### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or





# Audit Report

## Draft audit report

### Our opinion on the financial statements

- We make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

#### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 19, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Colchester Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Colchester Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Colchester Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Certificate

We certify that we have completed the audit of the accounts of Colchester Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

#### Use of our report

This report is made solely to the members of Colchester Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Kevin Suter (Key Audit Partner)*  
Ernst & Young LLP (Local Auditor)  
Luton  
10 July 2018

The maintenance and integrity of the Colchester Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04

## Audit Differences



## Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Summary of adjusted differences

We highlight the following misstatements greater than £2.0m which have been corrected by management that were identified during the course of our audit.

The work performed by the auditors of the pension fund administering authority (Essex County Council) identified a material difference between the total pension fund assets used in the actuary year-end report and the pension fund draft statement of accounts. This is due to the required timing of the estimation methodology applied by the actuary to enable timely IAS 19 reporting. The difference resulted in the following balance sheet adjustments:

- ▶ £3.359 million understatement of Pension Scheme Liability
- ▶ £3.359 million overstatement of Unusable Reserves (Pensions Reserve)

The adjustment also impacted areas such as the Movement in Reserves Statement, pension disclosures and group account, but there is no impact on the General Fund or other usable reserves of the Authority.

We have also identified a minor number of small disclosure errors which the Authority has amended.

We will also update the Committee if there are any further issues arising from our incomplete audit procedures.





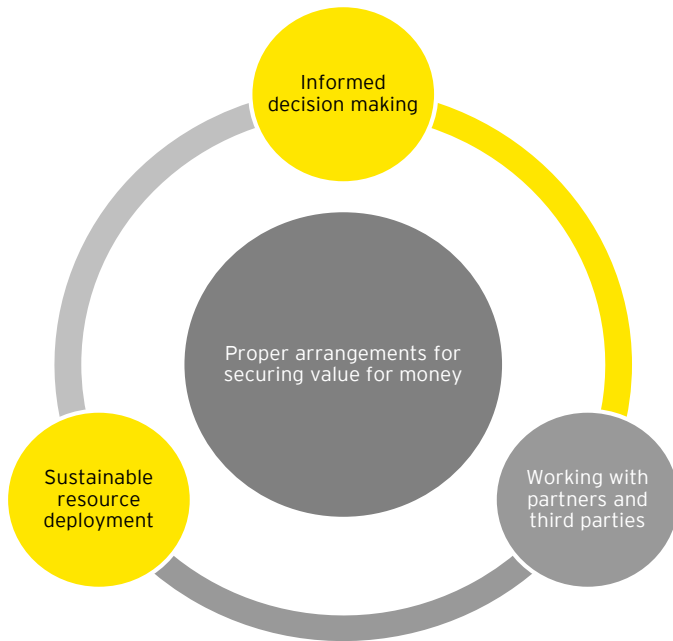
05

## Value for Money Risks





# Value for Money



## Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation 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"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

## Overall conclusion

We did not identify any significant risks around these criteria. We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.





## 06 Other reporting issues



## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. The Council is below the specified £500m threshold, and therefore we are not required to undertake detailed procedures on your consolidation return.

We are yet to conclude our work in this area. We will report any matters arising to the Governance and Audit Committee.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

# Other reporting issues

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report.

### Assessment of new Accounting Standards

- IFRS 9 Financial Instruments: The 2018/19 Code introduces IFRS 9 on financial instruments. As per note 3 in the statement of accounts the Authority assessment is that the impact will be immaterial. The Council will need to keep this standard under continued focus during 2018/19 because:
  - The standard may impact balances with the Authority's subsidiaries
  - Statutory overrides may be introduced by Central Government
- IFRS 15 Revenue from Contracts with Customers: Similarly the 2018/19 Code of Practice on Local Authority Accounting for the United Kingdom determines how IFRS 15 Revenue from Customers with Contracts will be adopted by local government bodies. As per note 3 in the statement of accounts your view is that IFRS 15 will not have a material impact on this Authority's single entity financial statements as the vast majority of the income streams are taxation or grant based.





07

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



08

## Independence



## Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated March 2018.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Governance and Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Governance and Audit Committee on 10 July 2018.

We undertook non-audit work outside the PSAA Code requirements during the current financial year in completing the 2016/17 review of the Pooling of Housing Capital receipts return. We anticipate performing the 2017/18 work in October 2018.

# Independence



## Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in the table below has been provided on a contingent fee basis.

We note that 2017/18 is the final year as our appointment as auditor due to changes in the PSAA contract. As at the date of this report, there are no future services beyond 2017/18 which have been contracted and no written proposal to provide non-audit services has been submitted.

# Independence

## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee - Code work (note 1)	64,047	62,582	62,582	64,066
Total non-audit services - Housing Benefit Subsidy (note 2)	tbc	13,640	13,640	15,450
<b>Total Audit</b>	<b>tbc</b>	<b>76,222</b>	<b>76,222</b>	<b>79,516</b>
Other non-audit services not covered above (review of the Pooling of Housing Capital receipts return) (note 3)	tbc	4,750	-	4,750
<b>Total Fees</b>	<b>tbc</b>	<b>80,972</b>	<b>76,222</b>	<b>84,266</b>

### Note 1:

The final fee for 2017/18 includes a proposed further variation of £1,465 from the scale fee as a result of:

- ▶ £676: changes in the net cost of service headings and resulting prior year comparator adjustments;
- ▶ £278: additional audit procedures for the adjustment to IAS19 ; and
- ▶ £511: additional follow up queries with the valuer for corroboration of valuation assumptions applied.

These variations remain subject to agreement with management and the PSAA.

### Note 2:

The final fee for the Housing Benefit Subsidy certification will be confirmed upon completion by the 30 November deadline. We will report the final fee in our annual grant certification report.

### Note 3:

This is the estimated fee for the 2017/18 Pooling of Housing Capital receipts return work.







09

## Appendices

## Appendix A




# Required communications with the Governance and Audit Committee

There are certain communications that we must provide to the Governance and Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Governance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	6 March 2018 - Audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	6 March 2018 - Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	10 July 2018 - Audit results report



## Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about Colchester Borough Council's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	10 July 2018 - Audit results report
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Governance and Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	10 July 2018 - Audit results report
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:                             <ol style="list-style-type: none"> <li>Management;</li> <li>Employees who have significant roles in internal control; or</li> <li>Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Governance and Audit Committee responsibility.</li> </ul>	10 July 2018 - Audit results report  Enquiries were made during the audit, and there are no issues to report to you.

## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	<p>10 July 2018 - Audit results report</p> <p>No issues to report</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>6 March 2018 - Audit planning report</p> <p>10 July 2018 - Audit results report</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Governance and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance and Audit Committee may be aware of</li> </ul>	<p>We have made inquiries of management, the Monitoring Officer and those charged with governance.</p> <p>We have not identified any material instances or non-compliance with laws and regulations.</p>
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	We have not identified any significant deficiencies in internal controls.

## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Group Audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	6 March 2018 - Audit planning report 10 July 2018 - Audit results report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	10 July 2018 - Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	10 July 2018 - Audit results report  No issues to report.
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	10 July 2018 - Audit results report  No circumstances.
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	6 March 2018 - Audit Planning Report 10 July 2018 - Audit results report
Certification work	<ul style="list-style-type: none"> <li>▶ Summary of certification work</li> </ul>	Certification Report - expected December 2018

# Management representation letter

## Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young  
400 Capability Green  
Luton  
LU1 3LU

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of *Colchester Borough Council* ("the Group and Council") for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Colchester Borough Council as of 31 March 2018 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Group and the Council that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

### B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

# Management representation letter

## Management Rep Letter

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet and Governance and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 10 July 2018.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 39 to the consolidated and council financial statements all guarantees that we have given

to third parties.

4. No other claims in connection with litigation have been or are expected to be received.

### E. Subsequent Events

1. Other than that described in Note 8 to the consolidated and council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

### F. Group audits

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

### G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and the Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and investment properties and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### I. Accounting Estimates

#### Valuation of Pension Asset/Liabilities and Property, Plant and Equipment Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We confirm that the significant assumptions used in making the valuation of Pension Asset/Liabilities and Property, Plant and Equipment appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

# Management representation letter

## Management Rep Letter

3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

### J. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

*Yours faithfully,*

\_\_\_\_\_  
(Strategic Finance Manager – Section 151 Officer)

\_\_\_\_\_  
(Chairman of the Governance and Audit Committee)

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ED None

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**Policy and Corporate**

Rowan House  
33 Sheepen Road  
Colchester, CO3 3WG

Kevin Suter  
Director  
Ernst & Young LLP  
400 Capability Green  
Luton  
LU1 3LU

Contact	Sean Plummer
Phone	(01206) 282347
Email	sean.plummer@colchester.gov.uk
Your ref	
Our ref	
Date	<b>10th July 2018</b>

Dear Kevin,

**Letter of Representation – 2017/18 financial year**

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of *Colchester Borough Council* (“the Group and Council”) for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Colchester Borough Council as of 31 March 2018 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Group and the Council that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

**B. Non-compliance with law and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be

fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;

- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### **C. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.

3. We have made available to you all minutes of the meetings of the Council, Cabinet and Governance and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 10 July 2018.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

### **D. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether

written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 39 to the consolidated and council financial statements all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

#### **E. Subsequent Events**

1. Other than that described in Note 8 to the consolidated and council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

#### **F. Group audits**

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

#### **G. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and the Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **H. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and investment properties and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

#### **I. Accounting Estimates**

##### **Valuation of Pension Asset/Liabilities and Property, Plant and Equipment Estimates**

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

2. We confirm that the significant assumptions used in making the valuation of Pension Asset/Liabilities and Property, Plant and Equipment appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

#### **J. Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Signed on behalf of Colchester Borough Council.

I confirm that this letter has been discussed and agreed by the Governance and Audit Committee on 10 July 2018.

Sean Plummer


Strategic Finance Manager – Section 151 Officer

Councillor Adam Fox

Chair of the Governance and Audit Committee



10 July 2018

<b>Report of</b>	<b>Assistant Director of Policy and Corporate</b>	<b>Author</b>	<b>Jonathan Baker</b> 
			<b>282207</b>
<b>Title</b>	<b>Review of Meetings and Ways of Working – Digital Agendas Update</b>		
<b>Wards affected</b>	Not applicable		

## 1. Executive Summary

- 1.1 This report provides an update on the digital agendas trial conducted by the Governance and Audit Committee and Scrutiny Panel which formed part of the Review of Meetings and Ways of Working. The report identifies issues identified during the trial and measures taken to assist with the transition to digital only meetings. It is intended that measures outlined in the report will allow for all Colchester Borough Council Committees to become digital.

## 2. Recommended Decision

- 2.1 To note the progress on the use of digital agendas in Committee meetings, as included in the report.
- 2.2 To RECOMMEND to Council that where appropriate facilities exist, meetings are conducted using digital technology to access agendas.
- 2.3 To RECOMMEND that Council assess the implications of using digital technology to access agendas in the Council Chamber and consider whether the facilities in the Council Chamber should be improved to enable agendas to be accessed digitally.
- 2.4 To note the cost of improving presentation facilities in the Grand Jury Room and Council Chamber.

## 3. Reason for Recommended Decision

- 3.1 Following the conclusion and success of the trial, it is suggested that all Committees using rooms that have suitable facilities, such as the Grand Jury Room, use digital technology to access agendas. This would assist in significantly reducing the cost of printing paper copies of agendas, the budget for which has already been significantly reduced.
- 3.2 To enable the use of digital technology to access agendas in the Council Chamber, the current facilities will need to be upgraded to provide power sockets and USB ports near each seat. The Governance and Audit Committee will need to consider whether this investment required to upgrade the facilities in the Council Chamber should be pursued and if so, to recommend that Council consider the issue.
- 3.3 The Governance and Audit Committee will also need to consider the cost of improving the presentation facilities in both the Grand Jury Room and the Council Chamber. The

intention behind upgrading the facilities is to provide greater visibility to screens for both Councillors and members of the public.

#### **4. Alternative Options**

- 4.1 The Committee could decide that they do not wish to further the roll out the use of digital technology to access committee agendas, however there is a significantly reduced budget for agenda printing during 2018/19. The Committee may also decide that the presentation facilities in the Grand Jury Room and Council Chamber are adequate and do not require improvement.



## **5. Background Information**

- 5.1 As part of the Review of Meetings and Ways of Working review, the Governance and Audit Committee, the Scrutiny Panel and the Revolving Investment Fund Committee agreed to undertake a digital agendas trial between January and April 2018. During this time, the Governance and Audit Committee met twice and the Scrutiny Panel met five times. Each of these meetings were conducted without Councillors receiving a paper copy of the agenda. A single paper copy of the agenda is still placed in the Library five clear working days before the meeting and a limited number of paper copies of the agendas are provided in the public gallery at the meeting.
- 5.2 In advance of the trial Democratic Services Officers ensured that all Councillors had a suitable device that could access agendas during meetings. Whilst the Council encourages the use of personal devices, those Councillors that did not have access to a device were loaned equipment to enable access to digital agenda. During the trial a total of five iPads were loaned to Councillors for use at meetings, with training provided upon collection of the device. In addition to the devices, Democratic Services Officers also devised a solution to provide power during meetings in the Grand Jury Room using power towers with USB connectors.
- 5.3 During the trial, no major issues occurred and Councillors were able to access agendas at all times. For the first digital meeting of each Committee, members of the Democratic Services team were on hand to provide support if necessary. Those members substituting were provided with guidance on accessing the agenda on their personal device, or given a device for the duration of the meeting.
- 5.4 The move to using digital technology to access agendas comes at a time when the Council is increasingly adopting and focusing on the use of digital technology. In line with this move, the 2018/19 Committee agenda printing budget has reduced by 69%. This, combined with a number of years where agenda printing cost exceeded the existing budget, highlights the pressing need to utilise digital technology to access agendas. The move to digital agendas also falls at a time when the devices and applications available are more versatile and allow for easy document manipulation.

### **Digital Agendas going forward**

- 5.6 At the beginning of this municipal year the Chairmen of the Governance and Audit Committee, Scrutiny Panel, Policy Review Panel, Revolving Investment Fund Committee and Cabinet all agreed to access agendas digitally going forward. The purpose of this report is to formalise the use of digital technology to access agendas for all Committee meetings that use rooms with appropriate facilities.
- 5.7 Experience has shown that the majority of Councillors are content to use a suitable personal device to access agendas digitally. The Committee previously agreed that where Councillors did not have a suitable device, they be loaned a device by the Council. This device would only be for the duration of the Councillors remaining on the Council and would be redistributed if the Councillor is no longer in office. Councillors would be able to choose between an iPad, an Android tablet, or a Windows hybrid laptop, all of which would run both software for accessing agendas and Office365. If the policy to go digital were to be extended to cover all Committees that take place in the Grand Jury Room, it is expected that approximately 10 further devices would be required.
- 5.8 During the trial the predominant method for Councillors accessing Committee agendas was to download a copy of the PDF from the CMIS website prior to navigating the document through the Adobe PDF reader. Whilst this method was successful, following a

recent upgrade it is now recommended that Councillors use the widely available MyCMIS application. This is designed specifically for use in meetings, automatically downloads agendas (which means that the agenda can still be accessed without a Wi-Fi connection) and provides an increased level of security using a PIN code, timed log out and automatic deletion of agendas after a period of three months. A user guide has been created by Democratic Services Officers and further training opportunities will be provided outlining how to use MyCMIS. It is recommended that Councillors use PIN codes or passwords for their devices to further increase the security levels.

- 5.9 Going forward, it is intended that those Councillors with access requirements that would mean the use of a digital device in meetings would be difficult would still receive a printed copy of the agenda, if they so wished.
- 6.0 Consideration has also been given to contingency plans to enable meetings to proceed should the Wi-Fi connection be lost or if a Councillor does not bring a device. A solution to the issue of Wi-Fi connectivity is using the MyCMIS application which automatically synchronises with the server and downloads the agenda when it is ready. If a Councillors device fails, or a device is forgotten the Democratic Services team have a standby device available.
- 6.1 During the course of the trial, a further query was raised about the environmental issues of using devices. Using devices to access digital agendas significantly reduces the cost and environmental impact of printing Committee agendas, which following the conclusion of the meeting have limited uses. Devices also enable Councillors to utilise the entire Office365 package reducing the requirement to print other documents relating to their role as a Councillor. Microsoft, which produces the Office365 software package is Carbon Neutral and has an average power usage effectiveness at its data centres of 1.125, which is a third less than the industry average data centre. Whilst devices are provided on a loan basis and will be reissued where possible, any device that has reached its end of life will be wiped and recycled in accordance with the Waste Electronic and Electrical Equipment (WEEE) protocol.

### **Council Chamber**

- 6.2 Whilst there is a power solution for the Grand Jury Room, there are greater restrictions for the provision of power sources in the Council Chamber. Due to the design of the room and location of power sockets it is not feasible to set up a flexible solution. Following discussions with the Colchester Borough Homes Facilities team it was suggested that power sockets with USB charging ports could be installed at floor level near each seat.
- 6.3 It is estimated that the cost of such works would be £12,500, which would include the cost of providing the power sockets and lifting of the listed fixtures and fittings. It is also expected that such works would take approximately four weeks to complete, which is likely to impact on the number of private bookings for the Colchester Events Company. By way of comparison, printing Council agenda through a municipal year is just over £2k.
- 6.4 An alternative solution of battery packs was considered, however there are no UK suppliers of battery packs or docking stations. Due to uncertainty regarding battery quality and difficulty in terms of support and maintenance it is not considered a feasible option to procure a solution manufactured outside of the UK. Councillors will still be able to use their own battery packs during meetings, but a centrally administered system will not be provided.

- 6.5 The Committee will need to consider whether to recommend to Council that the Chamber be upgraded to allow Council meetings and other meetings that take place in the Council Chamber use digital devices to access agendas.

### **Presentation Facilities**

- 6.6 The Committee may want to consider upgrading the presentation facilities in both the Grand Jury Room and the Council Chamber. Currently the Town Hall only has one widescreen television for presentation, which restricts the viewing angle and distance. This means that the current provision is not fit for purpose. Whilst a temporary solution for the Grand Jury Room, devised by the Democratic Services team, uses a PC monitor screen in the West Committee Room this is not a satisfactory long term solution.
- 6.7 Following discussions with ICT, it has been suggested that two large widescreen televisions and mobile stands be purchased so that they can be used in both the Grand Jury Room and the Council Chamber. With regards to the Grand Jury Room this would allow for one TV to be positioned for members of the Committee, and another to be based in the West Committee Room for members of the public. For the Council Chamber the two screens would be placed in opposing corners. If an upgrade of the power facilities in the Council Chamber is undertaken this could provide an opportunity to also lay HDMI cabling.
- 6.8 The cost of the new television and stands would not be in excess of £2k and could be used for other events in the Town Hall.

### **7. Standard References**

At this time there are no particular references to the Strategic Plan; publicity or consultation considerations; equality, diversity and human rights; community safety; health and safety or risk management implications.

### **8. Financial implications**

- 8.1 The costs of the works required to upgrade the Council Chamber are set out at paragraph 6.2 of the report. In addition providing 10 additional devices to loan to Councillors is likely to cost approximately £3,800. Should the Committee refer the issue to Council and Council consider that the Chamber facilities be upgraded, then Cabinet would need to consider whether the funding could be made available. However, the proposals need to be considered in the context of the savings to the printing budget that will be secured by maximising the use of digital agendas.



## Governance and Audit Committee

Item  
**9**

10 July 2018

Report of	Assistant Director of Policy and Corporate	Author	Jonathan Baker ☎ 282207
Title	Work Programme 2018-19		
Wards affected	Not applicable		

### 1. Executive Summary

- 1.1 This report sets out the current Work Programme 2018-2019 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 2018-19.

### 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 2018-19

<b>Meeting date / Agenda items</b>
<b>Governance and Audit Committee - 5 June 2018</b>
<b>Governance and Audit Committee briefing – 31 May 2018</b>
<ol style="list-style-type: none"> <li>1. 2018/19 Audit and Certification Fees letter</li> <li>2. Draft Annual Statement of Accounts 2017/18</li> <li>3. Year End Internal Audit Assurance Report 2017/18</li> <li>4. Review of the Governance Framework and Draft Annual Governance Statement</li> <li>5. Committee on Standards in Public Life Consultation on Local Government Ethical Standards Response</li> </ol>
<b>Governance and Audit Committee - 10 July 2018</b>
<b>Governance and Audit Committee briefing – 3 July 2018</b>
<ol style="list-style-type: none"> <li>1. Annual Statement of Accounts 2017/18</li> <li>2. Review of Meetings and Ways of Working Update</li> </ol>
<b>Governance and Audit Committee - 4 September 2018</b>
<b>Governance and Audit Committee briefing – 28 August 2018</b>
<ol style="list-style-type: none"> <li>1. Local Government and Social Care Ombudsman Annual Review 2017/18</li> <li>2. Publication of Annual Statement of Accounts 2017/18</li> <li>3. Financial Monitoring Report – April to June 2018</li> <li>4. Capital Expenditure Monitor 2018/19</li> <li>5. Colchester Borough Homes Annual Report and Governance Statement</li> <li>6. 2017/18 Year End Review of Risk Management</li> </ol>
<b>Governance and Audit Committee - 30 October 2018</b>
<b>Governance and Audit Committee briefing – 23 October 2018</b>
<ol style="list-style-type: none"> <li>1. Annual Audit Letter</li> <li>2. Mid-Year Internal Audit Assurance Report 2018/19</li> <li>3. Treasury Management – Half Yearly Update</li> <li>4. Health and Safety Policy and Annual Report</li> <li>5. Review of the Council's Ethical Governance Policies</li> <li>6. Review of the Members' Code of Conduct and the Council's "Arrangements"</li> <li>7. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Officers</li> <li>8. Review of Local Code of Corporate Governance</li> <li>9. Income and Debt Policy</li> <li>10. Equality and Safeguarding Annual Update</li> <li>11. Member/Officer Protocol Review</li> </ol>
<b>Governance and Audit Committee - 15 January 2019</b>
<b>Governance and Audit Committee briefing – 8 January 2019</b>

<ul style="list-style-type: none"> <li>1. Certification of Claims and Returns – Annual Report 2017/18</li> <li>2. Interim Review of the Annual Governance Statement Action Plan</li> <li>3. Risk Management Progress Report</li> <li>4. Annual Review of Business Continuity</li> </ul>
Governance and Audit Committee - <b>5 March 2019</b>
Governance and Audit Committee briefing – <b>26 February 2019</b>
<ul style="list-style-type: none"> <li>1. Audit Plan for year ending 31 March 2019</li> <li>2. Financial Monitoring Report</li> <li>3. Capital Expenditure Monitor 2018/19</li> <li>4. Internal Audit Plan 2018/19</li> </ul>