



Governance and Audit Committee Meeting

**Grand Jury Room, Town Hall, High Street,
Colchester, CO1 1PJ
Tuesday, 01 August 2023 at 18:00**

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

Information for Members of the Public

Access to information and meetings

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

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

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

Have Your Say!

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

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Access

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

Facilities

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

Evacuation Procedures

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Library and Community Hub, Colchester Central Library, 21 Trinity Square,

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

Accounts, Audit, Risk and Counter Fraud

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.

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.

Miscellaneous 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.

An overview of the Council's complaint handling procedure and Local Government and Social Care Ombudsman investigations.

Shareholder Committee for Council owned companies

To consider, review and make recommendations to Cabinet regarding the activities and financial performance of Colchester Commercial (Holdings) Limited, its subsidiary companies and Colchester Borough Homes Limited.

Consider an annual review of the business plans of Colchester Commercial (Holdings) Limited (including its subsidiary companies) and performance of the companies including delivery of the dividend; and the Annual Report, Governance Statement and performance of Colchester Borough Homes Limited.

The creation of any arrangements for any future Council owned company including activities and performance.

Standards

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.

The complete Terms of Reference of the Governance and Audit Committee are contained within the Council's Constitution.

COLCHESTER CITY COUNCIL
Governance and Audit Committee
Tuesday, 01 August 2023 at 18:00

The Governance and Audit Committee Members are:

Councillor Chris Pearson	Chair
Councillor Paul Smith	Deputy Chair
Councillor Dave Harris	
Councillor Alison Jay	
Councillor Sara Naylor	
Councillor Rhys Smithson	
Councillor William Sunnucks	

The Governance and Audit Committee Substitute Members are:

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

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

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

1 Welcome and Announcements

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

2 Substitutions

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

3 Urgent Items

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

4 Declarations of Interest

Councillors will be asked to say if there are any items on the agenda about which they have a disclosable pecuniary interest which would prevent them from participating in any discussion of the item or participating in any vote upon the item, or any other registerable interest or non-registerable interest.

5 Minutes of Previous Meeting

The Councillors will be invited to confirm that the minutes of the meeting held on 28 March 2023 (including those minutes contained within Part B of the agenda) and 20 June 2023 are a correct record.

Draft Governance and Audit minutes - 28 March 2023 - public copy 9 - 10

Draft Governance and Audit minutes - 20 June 2023 11 - 18

6 Have Your Say! (Hybrid Council meetings)

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

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



7 External Audit Update (from BDO LLP) 19 - 26

The Committee will receive an update from the Council's appointed auditors, BDO LLP, including information on the status of the audit for the period ended 31 March 2021, and an indicative timetable for the external audit of the remaining two years under the current audit contract, 2021/22 and 2022/23.

8 Verbal update from the Council's S151 Officer with regard to the Council's statement of accounts.

The Committee will receive a verbal update from the Council's S151 Officer with regard to the Council's statement of accounts.

9 **2022/23 Year End Review of Risk Management** 27 - 48

The Committee will consider a report providing members with an overview of the Council's risk management activity undertaken during the financial year from 01 April 2022 to 31 March 2023.

10 **Work Programme 2023-2024** 49 - 52

The Committee will consider a report setting out its work programme for the current municipal year.

Exclusion of the Public (not Scrutiny or Executive)

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

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

Exempt extract of the minutes - 28 March 2023

- This report is not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (financial / business affairs of a particular person, including the authority holding information).

GOVERNANCE AND AUDIT COMMITTEE

28 March 2023

Present:- Councillor Paul Smith (Chair)
Councillor Dave Harris, Councillor Sam McCarthy,
Councillor Chris Pearson

Substitutions: Councillor Sunnucks for Councillor Wood

Also Present:- Councillor King, Councillor Fox, Councillor Warnes*

*attended remotely

Richard Carr, interim managing director Colchester Commercial (Holdings) Limited

Paul Connolly CIPFA

362. Minutes of Previous Meeting

In response to an enquiry from a member of the Committee, it was explained that the minutes which were produced did not as a matter of course attribute comments to specified Committee members, but rather sought to capture the flow of the debate which led to the final resolution of the Committee. If a Committee member wished for particular comments to be attributed to them in the minutes of a meeting, then this request would be accommodated.

RESOLVED that: the minutes of the meeting held on 17 January 2023 be confirmed as a correct record.

363. Chartered Institute of Public Finance and Accountancy Review of Colchester Commercial (Holdings) Limited companies

Exclusion of the Public (not Scrutiny or Executive)

The Committee resolved under Section 100A(4) of the Local Government Act 1972 that the public, including members of the press, be excluded from the meeting for the following item as it involved the disclosure of exempt information in Part B of this agenda (printed on yellow paper) as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

GOVERNANCE AND AUDIT COMMITTEE

20 June 2023

Present:- Councillor Chris Pearson (Chair)
Councillor Dave Harris, Councillor Alison Jay, Councillor Sara Naylor, Councillor Paul Smith,
Councillor William Sunnucks

Substitutions: Councillor Paul Dundas for Councillor Rhys Smithson

Also Present:- Councillor David King

369. Minutes of Previous Meeting

RESOLVED that: the minutes of the meetings held on 7 March 2023, 13 March 2023, 30 March 2023 and 24 May 2023 be confirmed as an accurate record.

370. Head of Internal Audit Annual Report 2022/2023

The Committee considered a report summarising the findings of the Internal Audit function for the financial year 2022/2023.

Hayley McGrath, Corporate Governance Manager, attended the meeting to introduce the report and assist the Committee with its enquiries. Internal Audit was reported to the Committee twice a year, and the Head of Internal Audit Report was put together for the Council by its internal auditors, TIAA.

The Report demonstrated that the Council had an effective internal audit service during the financial year 2022/2023, with 18 audits having been completed during this time. Of these audits, 6 had received a 'substantial' assurance rating, compared to 12 in the previous year. no 'limited assurance' rating had been received, compared to 2 in the previous year, and 1 urgent recommendation had been made, compared to 3 the previous year. The reduction in the number of 'substantial' assurance ratings which had been received was not a cause for concern as it simply meant that some areas for improvement had been identified as the result of thorough audits. Audit days which had been unused had been carried forward to the current financial year, and a programme of audits in relation to the Council's Information and Communication Technology (ICT) function had been agreed. Audit days were also available for use by Colchester Commercial (Holdings) Ltd (CCHL) to use on their own audits, and these audits were reported to the CCHL Board first, providing an

opportunity to address any issues which had been raised before raising these with the Council. An audit programme had been put together for the current financial year to assess the systems and processes which were in place. The results of these audits would be reported initially to the CCHL Board, but would then also be presented to this Committee.

The Committee noted the positive tone of the Report, with no 'limited assurance' or 'no assurance' ratings having been received. An area of concern which was raised, however, was the performance of the Council's Capital Expenditure Budget, and a Committee member enquired whether there had been any in-depth analysis of the controls and performance which related to this. The Corporate Governance Manager confirmed that internal audits were carried out in accordance with a rolling 5 year programme, and that the Council's Capital Projects were included within this. The Committee heard that it was recognised that during the 5 year programme, the structure of the Council may change, and an update of the internal audit plan for the forthcoming financial year was presented to the Committee each year. The Committee heard that the Council's Capital Programme was currently the subject of a full internal review, and it would be appropriate to carry out an audit after this review had been completed to ensure that any issues which had been identified in the review were addressed. It was possible to schedule additional audits throughout the year if any areas of concern had been identified by Councillors, and such input from Councillors was always welcomed and acted upon.

Councillor King, Leader of the Council, attended the meeting and, with the permission of the Chair, addressed the Committee. The Leader recognised the importance of robust review of both capital and revenue expenditure during the year. Work on the current review of the Council's Capital Programme had almost been completed, but the final results were not yet known and these would be shared with both Cabinet and the Committee as soon as possible.

In response to a question from a member of the Committee, the Corporate Governance Manager confirmed that a new ICT Manger had been appointed who would now be ensuring that relevant audits were conducted. Fiona Roe of TIAA advised the Committee that ICT audits were in the process of being scheduled, and an update would be provided to the Committee on this work in the future.

In discussion, the Committee wondered what work the carbon reduction audit had involved, and what the scope of this audit had been? Fiona Roe of TIAA confirmed that a carbon maturity assessment had been carried out and consideration had been given to whether or not the Council had a Carbon Reduction Plan setting out the arrangements around this, including risk and governance. It had been recommended that a further audit should take place within the next couple of years to monitor progress against the Council's stated aims. The terms of the audit had been to review implemented processes and plans in place to achieving carbon neutrality by 2023, and improving on the 40% reduction in its carbon footprint that the Council had made since 2008.

A Committee member noted that the absence of a manager for some service areas of the Council had delayed carrying out of some internal audits, but considered that

these periods represented the highest risk periods for a service. With regard to the collection of S.106 monies from developers, was the Council applying policies equally to all developers, or was there a potential that full advantage was not being taken of this funding? The Corporate Governance Manager confirmed that a detailed review of S.106 money could be scheduled for future audits, and explained that the audit which had been carried out in the preceding year had been related to spend in a particular ward. The next audit for Planning and Development was due to be carried out in 2025/2026, and this would include consideration of S106 money. The Committee heard that risks which were contained in the Council's Risk Register, together with the Annual Governance Statement, were considered when putting together the audit programme for any given financial year, and particular concerns were used to inform the use of internal audit days and the Audit Plan. The Committee was invite to make suggestions and comments in relation to this on an annual basis.

RESOLVED that:

- The Head of Internal Audit Annual Report 2022/23 had been reviewed and commented on.

371. Review of the Governance Framework and Draft Annual Governance Statement

The Committee considered a report setting out the Council's duty to produce an Annual Governance Statement (AGS), that reviewed the effectiveness of the Council's internal control systems for the 2022/2023 financial year, which was required for the 2022/2023 Statement of Accounts.

Hayley McGrath, Corporate Governance Manager, attended the meeting to introduce the report and assist the Committee with its enquiries. The report was set out in a format determined by the Chartered Institute of Public Finance and Accountancy (CIPFA), and as part of the review process, the Council's most senior staff were interviewed and the policies and procedures which were in place as part of the Council's Policy Framework were scrutinised. The Council's joint services were also considered, including the North Essex Parking Partnership and the Colchester and Ipswich Museum Service, as well as the Council's wholly owned subsidiary companies, Colchester Commercial (Holdings) Ltd, and Colchester Borough Homes. The North Essex Parking Partnership (NEPP) and the Colchester and Ipswich Museum Service (CIMS) were not included as part of the report presented to the Committee, as these bodies had their own Committees which received their own governance reports. If areas of concern had been identified, however, then these would be included in the report which was presented to the Governance and Audit Committee. The reports which would be presented to the Boards of NEPP and CIMS could be presented to the Governance and Audit Committee for their information in the future.

Part of the process of putting together the AGS was to produce an Action Plan detailing areas of control which it was felt could be improved, and the steps which would be taken to make necessary improvements, and to monitor the progress of these. In the 2021/2022 AGS, 3 items for improvement had been identified which had been monitored during the year 2022/2023 and these were procurement, external audit implications, and the governance of the Council's wholly owned subsidiary companies. If the Committee was satisfied that the issues which had been identified in the Statement accurately identified those issues which were facing the Council, the Statement would be signed by the Leader the Council and the Chief Executive to confirm that they were committed to managing these issues.

The draft AGS had identified 4 areas of potential concern, and unusually 2 of these areas had been carried forward from the preceding year due to the seriousness of the issues:

1. Implementation of the Colchester Borough Homes Independent Review Recommendations
2. The CIPFA Financial Management Code
3. External Audit Implications – Carried forward from 2021/22
4. Company Governance – Carried forward from 2021/22

Updates on the progress of the actions identified in the AGS would be presented to the Committee throughout the course of the forthcoming municipal year to provide the Committee with assurance that the issues which had been identified were being continually monitored.

With regard to the delays in the external audit, the Chair of the Committee noted that such delays were being experienced by Councils nationwide, and that delays in the production of the Council's audited statements of account had been noted in the years preceding 2021/2022.

A Committee member noted that 8 key recommendations had been made as a result of the independent Peer Review which had been undertaken recently, and that 2 of these recommendations in relation to CBH and CCHL had been carried through into the Action Plan, and it was suggested that other recommendations which had been made warranted further scrutiny. How was it proposed to measure the benefit to Colchester which had been generated by the granting of city status? Although the judgement of any benefit which had been granted was potentially a subjective one, residents were nonetheless keen to know what material advantages had been conferred by the new status. Additionally, it was considered that the current review of the Council's Capital Programme could merit inclusion in the final conclusion, as it was of equal merit to the reviews of the Council's wholly owned subsidiary companies. As hybrid working had only been in effect for a relatively short period of time, was it also appropriate for the effectiveness of this new way of working to be subject to greater analysis?

The Corporate Governance Manager advised the Committee that the issues of city status and hybrid working were still new areas for the Council to understand, and as such were more appropriate to be considered as part of the Internal Audit

Programme in the future once there had been an opportunity to collect relevant data for analysis. In respect of the suggestion that the Council's Capital Programme be included, Councillor King, Leader of the Council, confirmed that he would have no issue with this being included in the final conclusion, subject to the agreement of the Chief Executive, the Committee accordingly considered that the inclusion of the Capital Programme as an issue for future monitoring was appropriate.

A Committee member requested that, if possible, a copy of the CIPFA Financial Management Code be circulated to the Committee, and additionally sought clarification on the role of the S.151 Officer and the responsibilities of Officers within the Finance Team. The Corporate Governance Manager explained that the S.151 Officer and the Strategic Finance Manager were the same person, and from the current financial year the Council's Director of Finance and S.151 Officer was a role that was shared with Epping Forest District Council, and this role replaced that of the Strategic Finance Manager.

A Committee member noted the blame for the delays in providing audited statements of account had been placed with the Council's external auditors, and although blame for the delays should certainly be apportioned to them, it was considered that the Council must now do more than simply voice its displeasure at the situation. It was suggested that one way forward could be to employ a different firm to carry out the necessary audit work, and then re-charge the Council's current external auditors, BDO, for this work. It was noted that one of the key responsibilities of the Governance and Audit Committee was to scrutinise the Council's accounts, and this work had not even been included on the work programme of the Committee. It was imperative that the Council now took responsibility for its position and initiated action to resolve the situation and publish properly audited accounts, without which the Governance and Audit Committee could not do its job properly. The Council's accounts were extremely complicated, and while this would make it more difficult for an auditor to sign them off, it also emphasised the high importance of the audit process being completed.

The Corporate Governance manager acknowledged the issues which the delay in publication of audited accounts was causing the Council, and would refer the comments of the Committee to the Council's S.151 Officer to request their input and update on the issues. The Leader of the Council endorsed this approach, and acknowledged the depth of experience that the Council's S.151 Officer and Deputy S.151 Officer would bring to their roles. It was essential that the Council obtained a fundamental assurance about the robustness of its finances, against the risks and commitments which it had, and the S.151 Officer would provide this opinion as soon as possible. The Committee was assured that while other local authorities had experienced well-publicised and catastrophic financial difficulties, nothing whatsoever indicated that the Council was in that kind of position.

A Committee member considered that the issues which had been experienced nationally with local authority audits were evidence that the public sector audit system itself was fundamentally flawed, and thought that the replacement of the Audit Commission with private companies was a contributor to this.

Summarising the discussion, the Chair confirmed the desire of the Committee to receive an update from the Council's S.151 Officer in respect of the 2021/2022 accounts. It was requested that the results of the NEPP and CIMS audits should be presented to the Committee in the future, and that the Council's Capital Programme be included in the Conclusion and Significant Governance issues identified in the AGS.

RESOLVED that:

- The Annual Governance Statement for 2022/2023 be approved subject to the addition of Colchester City Council's Capital Programme to the Conclusion and Significant Governance issues in the Statement.
- The results of the North Essex Parking Partnership and the Colchester and Ipswich Museums Service internal audits be presented to the Committee at a future meeting.
- The review of the Council's compliance with the seven principles of good governance (CIPFA International Framework: Good Governance in the Public Sector 2016) including the review of effectiveness of the internal control arrangements, had been considered and noted.

372. Work Programme

The Committee considered its work programme for 2023-24.

The Committee noted that both Colchester Commercial (Holdings) Ltd (CCHL) and Colchester Borough Homes (CBH) were currently being reviewed, with the review of CBH being at a more advanced stage. It was suggested that as soon as the review of CBH had been completed, that this should be presented to the Committee, and that CCHL should be the subject of quarterly scrutiny by this Committee. The frequency of these reviews could be considered at the end of the current municipal year.

The Committee requested that the Council's S.151 Officer be requested to attend at the meeting scheduled for July 2023 to enable the Committee to consider 2021/2022 unaudited accounts which had been published.

The Chair of the Committee noted that he was away at the end of July, and had accordingly requested that consideration was given to moving the meeting scheduled for 25 July 2023 into the first week of August 2023.

The Committee noted the volume of reports which were expected to be presented to its November 2023 meeting, and Officers were requested to give consideration to scheduling an extra meeting to enable these reports to be divided across 2 meetings.

RESOLVED that:

- the contents of the report be noted.

- Consideration be given to re-scheduling the meeting of the Governance and Audit Committee which had been scheduled for 25 July 2023.
- Consideration be given to scheduling an additional meeting of the Committee in December 2023 to allow items relating to the Council's Ethical Governance Policies which were due to be considered by the Committee in November 2023 to be considered.

1 August 2023

Report of	The Section 151 Officer	Author	Chris Hartgrove (chris.hartgrove@colchester.gov.uk)
Title	BDO Audit Status Report		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 As with the majority of councils nationally, primarily due to a sector-wide shortage of professional audit resources, there have been extensive delays to the completion of the external audit of Colchester City Council's annual Statement of Accounts, with the 2020/21 audit in particular, yet to conclude.
- 1.2 The Council's appointed auditors, BDO LLP, have prepared an update to the Committee, attached at **Appendix A**, which includes:
 - Information on the status of the audit for the period ended 31st March 2021, including outstanding work, issues to resolve and a timetable for completion; and
 - An indicative timetable for the external audit of the remaining two years under the current audit contract; 2021/22 and 2022/23.
- 1.3 The timelines have been shared with management for their initial consideration and will be kept under review at liaison meetings between the Audit and Finance teams. Should any notable changes be required, for any reason, these will be reported to the Governance and Audit Committee, along with the reasons for the proposed changes.

2. Recommended Decision

- 2.1 To consider and comment upon the BDO Audit Status Report, including the proposals contained therein, presented in **Appendix A**.

3. Reason for Recommended Decision

- 3.1 A robust local audit system and transparent local authority financial reporting are key to delivering value for money for taxpayers, and for sustaining public confidence in local democracy.
- 3.2 Statutory accounts are the only information provided by local authorities that are independently verified through external audit. The current local audit framework was established by the Local Audit and Accountability Act 2014.

4. Alternative Options

- 4.1 None.

6. Equality, Diversity and Human Rights implications

6.1 None.

7. Standard References

7.1 There are no particular references to the Strategic Plan; consultation or publicity considerations or financial; community safety; health and safety or risk management implications.

8. Environmental and Sustainability Implications

8.1 None.

9. Appendices

9.1 BDO Audit Status Report – ***Appendix A***



BDO AUDIT STATUS REPORT

Colchester City Council
2020/21

July 2023

EXECUTIVE SUMMARY



This report provides the Governance and Audit Committee with an update on the progress of our audits and plans to clear the backlog of work.

DLUHC wrote to all local authorities and audit firms on 14 March 2023 requesting that auditors provide Audit Committees with a realistic project and delivery plan for delayed audits and the critical dependencies.

Issues nationally that have increased the resources required to complete local authority audits or have caused delays include:

- ▶ Backlog initially created during Covid and lockdown that has not been recovered
- ▶ Enhanced quality requirements following well publicised audit failures
- ▶ Implementation of new auditing standards
- ▶ Infrastructure accounting and inadequate historical records for highways and infrastructure spend
- ▶ Deficiencies in the quality of pre-audit statements and working papers prepared in advance of the audit
- ▶ Increased complexity of group structures, nature of transactions and asset ownership
- ▶ Difficulty recruiting auditors to the sector.

NATIONAL PICTURE

2019/20

Only 45% of 2019/20 local government bodies received an audit opinion by the extended deadline of 30 November 2020 and 44 (9%) had still not received the audit opinion by 31 December 2022.

2020/21

Only 9% of 2020/21 local government bodies received an audit opinion by the extended deadline of 30 September 2021 and 35% had still not received the audit opinion by 30 September 2022.

2021/22

Only 12% of 2021/22 local government bodies received an audit opinion by the extended deadline of 30 November 2022 and 373 remain outstanding.

2022/23

Last year of the current PSAA framework contract

Audit capacity and costs

The latest procurement by PSAA for contracts commencing for year ends 31 March 2024 will increase audit fees by 150% and Government has pledged to make an additional £60m of funding available over four years from 2021/22.

Redmond review

Limited progress has been made against the Redmond review recommendations to improve local public audit. The new system leader role to be undertaken by the Audit, Reporting and Governance Authority is expected to commence in 2024.

EXECUTIVE SUMMARY



AUDIT STATUS AND COMPLETION PLAN

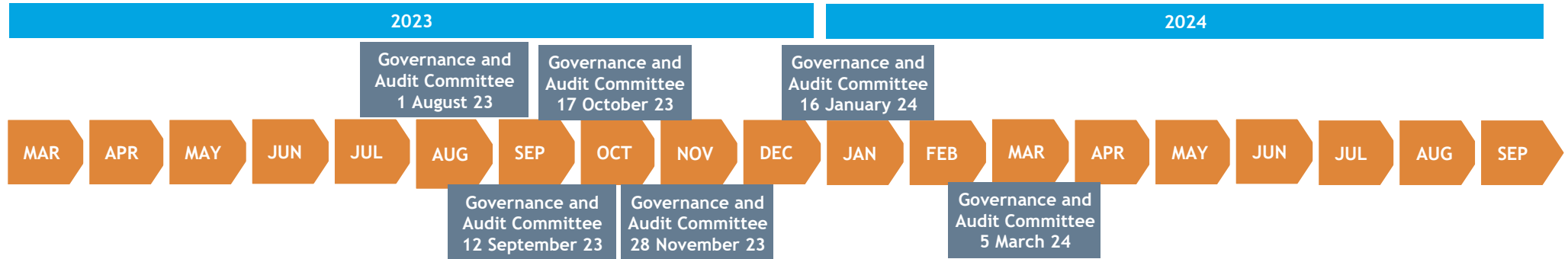
2020/21

- ▶ On the following page we set out the status of the audit for the period ended 31 March 2021 including outstanding work, issues to resolve and a timetable when we expect to complete.
- ▶ Aphrodite Lefevre will continue as the Key Audit Partner (KAP), once all outstanding information has been received and work has been completed and Manager reviewed, she will return from her career break to conclude the 2020/21 audit.
- ▶ Manager and KAP reviews of the rest of the audit fieldwork are well progressed. As previously discussed, further audit resources will be assigned to the audit once all outstanding information has been provided by the Council. The Council have agreed to deliver outstanding items for the audit by early September, we will then be able to allocate sufficient resources to complete the remaining procedures and arrange dates for Aphrodite's review.
- ▶ Once we have completed our procedures, and cleared review points, we will need to present the results of the audit in our Audit Completion Report, to those charged with governance, after which we will be in a position to perform the final audit completion procedures and issue our audit opinion. This is usually done within two working days of reporting to those charged with governance if it is confirmed at the meeting that no further amendments to the financial statements are required, and after receipt of the Council's signed Letter of Representation.

▶ 2021/22 and 2022/23

- ▶ Further to our letter to you on 17 January 2023 regarding the timelines for 2021/22 audits, we are working on an indicative timetable for our audit of these two years and expect this to be available by the end of August 2023.
- ▶ We will provide management with this timetable as soon as it is available and will present it to the next meeting of the Governance and Audit Committee in September 2023.

YEAR ENDED 31 MARCH 2021



WORK COMPLETED

- ▶ Other than those areas outlined in the work to complete, fieldwork audit procedures are complete

WORK TO COMPLETE

- ▶ Completion of audit work scheduled for October 2023
- ▶ Infrastructure assets audit procedures (A)
- ▶ PPE and Investment Property valuation procedures
- ▶ Pensions and Post Employment Benefits testing
- ▶ Payroll testing to be updated for the final version of the financial statements
- ▶ Commitments and contingencies procedures
- ▶ Review all other sections and update for changes to final version of the financial statements
- ▶ Manager and KAP review of Financial Statements Preparation (B), the Council’s re-worked Consolidation papers (C), Subsequent Events, and the areas listed above
- ▶ Clearance of Manager and KAP review points on other areas already reviewed
- ▶ Review of final version of the financial statements against audit feedback and results provided
- ▶ Reporting of final audit results to the Governance and Audit Committee

ISSUES TO RESOLVE

- ▶ Council have agreed to deliver outstanding information by early September 2023
- ▶ Implementation of the infrastructure assets temporary accounting solution. Working papers from the Council are awaited. Work to complete item (A) cannot be started until these are received.
- ▶ Updated single entity and group financial statements are awaited for audit. Work to complete item (B) cannot be started until these are received.
- ▶ Updated group consolidation workings are awaited from the Council. Work to complete item (C) cannot be started until these are received.
- ▶ Responses to queries in relation to VFM assessment are yet to be received.

FOR MORE INFORMATION:

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01 August 2023

Report of	Corporate Governance Manager Corporate Services	Author	Hayley McGrath ☎ 508902
Title	2022/23 Year End Review of Risk Management		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 This report provides members with an overview of the Council's risk management activity undertaken during the financial year from 01 April 2022 to 31 March 2023.
- 1.2 Effective management of risk is essential to ensuring that the Council's aims and objectives are achieved. The Council has therefore approved a Risk Management Strategy, which is included in the policy framework. This provides a comprehensive risk management process that is embedded across the organisation and includes a strategic risk register (which is the responsibility of the Senior Leadership Board), operational risk registers which are produced by each service, project risk monitoring and specific risk mitigation initiatives.
- 1.3 The Risk Management strategy and processes are reviewed annually to ensure that they are still appropriate to the Council's needs and continue to be effective in identifying and mitigating risks to its aims and objectives.
- 1.4 The key strategic risks are:
 - Organisational Resilience
 - Budget Strategy
 - Economic Climate
 - Cyber & Data Security
 - Workforce wellbeing
 - Financial Inequality

2. Recommended Decisions

- 2.1 Review the Council's progress and performance in managing risk during the period from 01 April 2022 to 31 March 2023.
- 2.2 Consider and comment on the current strategic risk register.
- 2.3 Consider and comment on the proposed Risk Management Strategy for 2023/24.
- 2.4 Endorse the submission of this report to Cabinet to approve the Risk Management Strategy for 2023/24

3. Reason for Recommended Decisions

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

4. Alternative Options

- 4.1 There are no alternative options to consider.

5. Background Information

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

6 Work undertaken during the period

- 6.1 There were no fundamental changes to the risk management function, or the processes used to identify and control risk, during 2022/23.
- 6.2 In response to the recommendations of the Local Government Association Peer Challenge and the independent reviews of the Council's subsidiary companies, support has been provided to the Council's shareholder team, and Colchester Commercial (Holdings) Limited, to develop risk and governance processes between the organisations and within the company.
- 6.3 During the year a comprehensive management system was developed, encompassing all aspects of Health and Safety, including reporting dashboards and indicators. This is currently being rolled out across the organisation and will be reported in further detail as part of the annual Health and Safety update to this committee later in the year.

- 6.4 Work has continued to develop the insurance programmes for Colchester Borough Homes and Colchester Commercial (Holdings) Limited, to ensure that emerging risks are appropriately managed.
- 6.5 Support continues to be provided, reviewing the risk elements of event plans to the Colchester Safety Advisory Group.
- 6.6 The risk registers, and strategies, for the Colchester and Ipswich Joint Museum Service and the North Essex Parking Partnership both continue to be produced and reported to the joint committees.

7 Strategic Risk Register

- 7.1 During 2022/23 the strategic risk register was reviewed by the senior management team every quarter and reported to the Governance and Audit Committee every six months.
- 7.2 For the majority of 2022/23 the Council's strategic risks were consistent and were mainly around the impacts of the economic climate, data security and recovery from the pandemic.
- 7.3 A fundamental review of the strategic risk register was undertaken with the Senior Leadership Board in July 2023, to ensure that the captured risks were still appropriate.
- 7.4 As a result of the review the risks have been amended to reflect the significant challenges the Council faces, and are concentrated on the key concerns, to ensure that mitigating actions are focused on delivering the changes required.
- 7.5 It is recognised that several of the risks are impacted by rapidly changing wider socio-economic factors, therefore the strategic risks and mitigating actions, will be considered monthly as part of the Senior Leadership Board meetings, to ensure that the Council is agile in responding to the changing environment.
- 7.6 The current register is shown at Appendix 1. These risks have been mapped onto a risk matrix, shown at Appendix 2, that shows the risk profile before, and after, mitigating actions.

8. Risk Management Strategy for 2023/24

- 8.1 The Council's current approach to managing risk was introduced in 2006/07. A requirement within the strategy, and also of the annual audit assessment, is to review the approach each year to ensure that it is still appropriate to the Council's needs.
- 8.2 Therefore a review has been undertaken and the strategy has been updated for 2023/24. The revised strategy is attached at Appendix 3. There are no changes proposed to the risk process, with amendments only to external review comments and the updating of responsibilities, to reflect the revised management structure.

9. Equality, Diversity and Human Rights implications

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

10. Strategic Plan References

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

11. Risk Management Implications

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

12. Environmental and Sustainability Implications

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

13. Other Standard References

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

Appendices

Appendix 1 – The strategic risk register

Appendix 2 – Risk Matrix

Appendix 3 – Risk Management Strategy for 2023/24

Colchester City Council Strategic Risk Register

Reviewed by Senior Leadership Board 13 July 2023

- Strategic Plan 2023-26 Outcomes**
1. Respond to the climate emergency
 2. Develop modern services for a modern city
 3. Improve health, well-being, and happiness
 4. Deliver homes for those most in need
 5. Grow our economy so everyone benefits
 6. Celebrate our city and our heritage and culture

Ref	Risk Title	Strategic Plan link	Description	Potential Consequences	Initial Score			RATING	Lead	Mitigation	Residual Score			RATING
					P	I	O				P	I	O	
A	Organisational Resilience	1 - 6	Following the prolonged period of austerity, coupled with the Covid -19 pandemic, the Council, and its companies, are already in a position where the workforce is weakened, finances are reduced and organisational resilience is low	The Council does not have the resources, or resilience, to be able to make the changes required to deliver the strategic plan outcomes.	5	4	20	Very High	Chief Executive	<ul style="list-style-type: none"> • Continue to develop the health and wellbeing programme, including regular monitoring and reporting. • Promote personal development and resilience options. • The creation of a flatter, more transparent management culture. Clear strategic plan delivery plan linked to available resources Ensure the transformation programme maintains momentum and delivers it's objectives. <ul style="list-style-type: none"> • Use of the Medium Term Financial Forecasting to plan for future challenges. 	4	3	12	High
B	Budget Strategy	1 - 6	The budget strategy does not accurately reflect the unprecedented level of savings required. The new S151 officer is also reviewing all elements and assumptions underpinning the budget which creates an additional element of risk.	<ul style="list-style-type: none"> •Inability to deliver the budget strategy as planned. •Requirement for in-year budget and service adjustments. •Unplanned additional use of balances / reserves •Potential S114 notice 	4	5	20	Very High	Chief Operating Officer	<ul style="list-style-type: none"> • Ensure effective use of the controls built into the annual budget strategy, to enable the Council to respond quickly to changes. • Regular monitoring of actual spend/income and sensitivity analysis to consider the impact on income streams and the capacity of the Council to deliver services. • Regular and open reporting and updating of the budget position through Cabinet, • Prudent use of reserves where necessary to mitigate in-year losses. • Monitor and refine the Transformation agenda to ensure it contributes savings to balance future budgets. 	3	4	12	High

Ref	Risk Title	Strategic Plan link	Description	Potential Consequences	Initial Score			RATING	Lead	Mitigation	Residual Score			RATING
					P	I	O				P	I	O	
C	Economic Climate	1 - 6	The national economic climate continues to be challenging resulting in increases in demand on Council services exceeding capacity, unavoidable operating costs exceeding budgets and income expectations not being met.	<ul style="list-style-type: none"> The Council is unable to deliver the outcomes and priorities of the Strategic Plan. Reduction in levels of service provision and potential cessation of services. Inability to create opportunities to develop and boost the local economy. Depletion of Council's reserves, potential S114 notice 	4	4	16	Very High	Chief Operating Officer	<ul style="list-style-type: none"> Maintain a constant review of the Council's budget situation, including the impact of decisions from central government. Identify additional actions and areas for increasing income and reducing costs as necessary, including through the Council's Transformation Programme. Reduce reliance on New Homes Bonus to support the base budget. Lobby Government for a fair, multi-year funding settlement. 	4	3	12	High
D	Cyber & Data Security	2 & 5	Sensitive data, in any format, is not correctly managed, processed or protected from loss or theft (including as a result of a cyber attack) in line with GDPR and Data Protection Act requirements, including council data managed and handled by third parties. The ever increasing sophistication of phishing attacks increases the likelihood of officers and members inadvertently opening malware emails.	<ul style="list-style-type: none"> Severe disruption to core services Financial, legal and reputational impacts for the Council, including ICO fines. Significant harm caused to residents with release of their personal details. 	4	4	16	Very High	Service Director (shared) ICT & Transformation	<ul style="list-style-type: none"> Ongoing review of IT policies and protocols to ensure that they are fit for purpose. Implement a training program for all staff and members. Implement defined action plans to rapidly respond to any attacks on systems to help minimise any potential damage. Ongoing review of data security policies and protocols to ensure that they are fit for purpose and implement a training program for all staff and members as required. Provision of secure Council devices to staff and Members. 	4	3	12	High
E	Workforce Wellbeing	1 - 6	Workforce wellbeing is affected by the increase in demand for services and requirement to achieve savings, coupled with difficulty in recruiting into specialist roles.	<ul style="list-style-type: none"> An unwarranted sense of 'personal failure' for some staff who put pressure on themselves to perform at a certain level, that is not sustainable. Decline in service performance. Reduction in efficiency and productivity. Inability to meet changing requirements and needs. Insufficient capacity to deliver the Transformation agenda. Customer perceptions decline as less is delivered. Loss of key staff. Staff who would be considered as some of the Council's vulnerable residents (in terms of financial resilience), thereby increasing the pressure on them from both work and personal perspectives. 	4	4	16	Very High	Head of People	<ul style="list-style-type: none"> Monitor staff morale and trends using staff surveys and by monitoring the People Dashboard. Ensure good communications with staff, exploiting new technologies such as Yammer. Shared Services programme to recruit and retain staff and share skills in hard to recruit roles Implement the action plan for the People Strategy; ensuring that performance is regularly monitored. Regularly report the progress of the learning and development strategy, including financial considerations and business behaviours, and exploring training alternatives. Use it as an opportunity to review individuals in the community who could be retrained and reskilled, using processes such as supported internships. Ensure that all staff are reminded of the Employee Assistance Programme on a regular basis and are enabled to have 'safe conversations' with managers or other 	4	3	12	High

Ref	Risk Title	Strategic Plan link	Description	Potential Consequences	Initial Score			RATING	Lead	Mitigation	Residual Score			RATING
					P	I	O				P	I	O	
F	Financial Inequality	3 & 4	The current, and future, impacts of the costs of living and housing crisis are likely to increase the number of vulnerable residents, leading to greater financial inequality and increasing the number of residents seeking support from the Council, especially for housing and temporary accommodation.	<ul style="list-style-type: none"> The support available for the most vulnerable residents is not sufficient, leading to an increase in crisis intervention. Housing supply is depleted leading to increased demand for temporary accommodation and rising costs. 	4	4	16	Very High	Deputy Chief Executive	<ul style="list-style-type: none"> Regularly monitor the impact of the resources allocated to supporting customers to ensure that they are signposted to appropriate providers/partners. Ensure welfare support service are targeting customers who may not be aware of the service, working with other council services to identify residents who may benefit from the support. 	4	3	12	High
G	Service Innovation	1 - 6	The Transformation agenda and budget savings programme, including the review of the council's companies, does not deliver the changes required to meet the council's budgetary pressures and Strategic Plan priorities.	<ul style="list-style-type: none"> Loss of opportunity to innovate. Adverse impact on local residents / resources. Missed opportunities to boost local economy. Conflict between Council / Government agendas. Reduction in levels of service provision and potential cessation of services. 	4	3	12	High	Deputy Chief Executive	<ul style="list-style-type: none"> Have a clear approach and 'roadmap' for transforming the Council and delivering budget savings monitored by the Senior Leadership Board and reported to Cabinet as part of the budget process. 	3	3	9	Medium
H	Corporate Assets	2 & 6	Failure to develop a comprehensive management plan for the Council's corporate assets, encompassing compliance, utilisation and future development.	<ul style="list-style-type: none"> Assets are not maximised to their full potential statutory building procedures are breached resulting in fines and liability claims The repairs and maintenance programme for the assets is insufficient to respond to issues, especially in connection with heritage sites. 	4	3	12	High	Chief Operating Officer	<ul style="list-style-type: none"> Develop a comprehensive asset management plan. Ensure that a suitable repairs and maintenance programme is developed with fully costed budget allocations. Establish clear facilities management processes with named responsibilities, reporting lines and escalation procedures. 	3	3	9	Medium
I	ICT	2	The increasing reliance on IT to continue normal business leaves the Council potentially vulnerable to any major system failure, across all service areas.	<ul style="list-style-type: none"> Severe disruption to core services Financial, legal and reputational impacts for the Council, including fines and lost income. Inability to respond to customer requirements including benefit processing and housing repairs. 	2	5	10	High	Service Director (shared) ICT & Transformation	<ul style="list-style-type: none"> Continue to shift any remaining legacy systems into more resilient, cloud-based solutions in line with ICT strategy. Ensure that the IT Disaster Recovery plan, and service plans, adequately reflect the organisation's requirements and provide an effective framework for maintaining service provision. Regularly review the IT development strategy to ensure it continues to support the organisations ambitions and provides appropriate safeguards for IT service delivery. 	2	4	8	Medium

Ref	Risk Title	Strategic Plan link	Description	Potential Consequences	Initial Score			RATING	Lead	Mitigation	Residual Score			RATING
					P	I	O				P	I	O	
J	Capacity	2,4 & 5	The continuing high level of inflation, coupled with the reduced availability of specialist staff, impacts on the ability to deliver the planned Capital programme.	<ul style="list-style-type: none"> •Key projects are delayed or withdrawn •Increase in expenditure •Inability to attract future investment •Failure to deliver benefits to residents 	3	3	9	Medium	Chief Operating Officer	<ul style="list-style-type: none"> • Manage the recruitment and development processes to ensure that the organisation has the appropriate skills and expertise. • Frequently review the Capital Programme to ensure that programmes are realistic and deliverable with available resources and / or identify any additional resources required to deliver key projects. • Agile methodology enables project scopes to be adjusted through effective governance processes. • Establishment of the Capital Programme Steering Group (informal Cabinet) to oversee the entire capital programme and address any capacity and other risks before they become issues. 	3	2	6	Medium

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

RISK MATRIX
G&A July 2023

Low Risks	Medium Risks	High Risks
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Initial Score Matrix

Scoring 1-5

Risk Tolerance Line

Probability of Occurrence	5 Very High			A		
	4 High		G H	C D E F	B	
	3 Medium		J			
	2 Low				I	
	1 Very Low					
		1 Very Low	2 Low	3 Medium	4 High	5 Very high
Severity of Impact						

Residual Score Matrix

Scoring 1-5

Risk Tolerance Line

Probability of Occurrence	5 Very High					
	4 High			A C D E F		
	3 Medium		J	G H	B	
	2 Low				I	
	1 Very Low					
		1 Very Low	2 Low	3 Medium	4 High	5 Very high
Severity of Impact						



Risk Management Strategy 2023/24

RISK MANAGEMENT STRATEGY

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

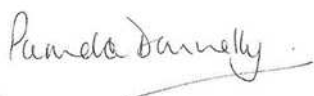
INTRODUCTION

This strategy will ensure that:

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

Endorsement by Pamela Donnelly, Chief Executive

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



WHAT IS RISK MANAGEMENT

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

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

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

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

In broad terms risks are split into three categories:

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

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

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

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

The 2022/23 Internal Audit of risk management gave a reasonable assurance opinion. Four recommendations were raised during the audit relating to Producing the Operational risk registers, the project risk management process and dates of review on registers.

OWNERSHIP

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

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

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

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

Portfolio Holder for Economy , Transformation & Performance – Lead Member for the risk management process

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

Senior Leadership Board (SLB) – Ownership of the strategic risks and overview of the operational risks. Actively support the Risk Management Strategy and framework.

Head of Governance – Lead officer for the risk management process, demonstrating commitment to manage risk.

Corporate Governance Manager – Responsible for co-ordination of the risk management process, co-ordinating and preparing reports and providing advice and support.

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

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

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

AIMS & OBJECTIVES

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

The risk management objectives of Colchester City Council are to:

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

STRATEGIC RISK MANAGEMENT

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

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

OPERATIONAL RISK MANAGEMENT

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

LINKS

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

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

ACTION REQUIRED

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

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

REVIEW

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

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

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

The three appendices attached give greater details of key areas:

Appendix 1 – Outline of the risk management process.

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

Appendix 3 – CIPFA guidance on Risk Management Responsibilities

APPENDIX 1

The Risk Management Process

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

Stage 1 – Risk Identification

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

Stage 2 – Risk Analysis

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

Stage 3 – Risk Control

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

Stage 4 – Risk Monitoring

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

APPENDIX 2

Reporting

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

Types of Report

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

The reports can be summarised as follows:

	Services	Senior Leadership Board	Governance & Audit Committee	Cabinet
Quarterly		Review of strategic risk register		

6 Monthly	Review of operational risk register	Summary of operational review from services	Progress report of strategic & high-level operational risks	
Yearly		Scrutiny of annual progress report to committee on risk management	Endorsement of annual progress report on risk management.	Summary of past years work on risk management.

APPENDIX 3

Risk Management Responsibilities – CIPFA / SOLACE Guidance

	Framework, Strategy and Process	Identifying risk	Analysing Risk	Profiling risk	Prioritising action based on risk appetite	Determining action on risk	Controlling risk	Monitoring & Reporting	Reporting to external stakeholders.
Members	Agreeing the Framework, Strategy and Process determined by Officers	Identifying risk	Analysing Risk	Profiling Risk	Determining the risk appetite and prioritising risk. Agreeing the priorities determined by officers			Reviewing the effectiveness of the risk management process.	Reporting to external stakeholders on the framework, strategy, process and effectiveness.
Corporate Governance Team	Providing advice And support to the Leadership Board Members	Providing advice and support.	Providing Advice and support	Providing advice and support	Providing advice and support			Co-ordinating the results for reporting to the corporate management team and members	
Senior Leadership Board	Determining the framework, Strategy and Process	Identifying strategic and cross-cutting issues	Analysing Strategic and cross-cutting issues.	Profiling strategic and cross-cutting issues.	Determining the risk appetite and prioritising strategic and cross-cutting issues	Determining action on strategic and cross-cutting issues. Delegating responsibility for control.		Monitoring progress on managing strategic and cross-cutting risks and reviewing the implementation of the risk management framework, strategy and process. Reporting to members.	Reporting to external stakeholders on the framework, strategy, process and effectiveness.
Head of Governance .	Providing Advice and Support	Providing advice and support	Providing advice and support	Providing advice and support	Providing advice and support	Providing advice and support	Providing advice and support	Co-ordinating the results for reporting to the Senior Leadership Team and Members	Preparing draft reports for the corporate management team and members to issue.
Heads of Service		Identifying service Risks	Analysing Service risks.	Profiling service risks.	Prioritising action on service risks.	Determining action on service risks. Delegating responsibility for control.		Monitoring progress on managing service risks. Reporting to the group management team	
Employees, contractors And partners		Maintaining awareness of risks and feeding these into the formal process.	Maintaining awareness impact of risks and feeding information into the processes				Controlling risk in their jobs.	Monitoring progress on Managing job related risks Reporting to the Head of Service	



Governance and Audit Committee

Item
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1 August 2023

Report of	Assistant Director Corporate and Improvement Services	Author	Matthew Evans ☎ ext. 8006
Title	Work Programme 2023-2024		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 This report sets out the current Work Programme 2023-2024 for the Governance and Audit Committee. This provides details of the reports that are scheduled for each meeting during the municipal year.
- 1.2 At its meeting on 20 June, the Committee requested that an additional meeting be scheduled for December 2023, and it is advised that work to arrange this meeting is ongoing.

2. Recommended Decision

- 2.1 The Committee is asked to note the contents of the Work Programme for 2023-2024.

3. Reason for Recommended Decision

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

4. Alternative Options

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

5. Background Information

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

6. Standard References

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

7. Strategic Plan References

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

WORK PROGRAMME 2023-24

Governance and Audit Committee
Meeting date / Agenda items -
Governance and Audit Committee - 20 June 2023
<ol style="list-style-type: none">1. Year End Internal Audit Assurance Report 2022/20232. <u>Review of the Governance Framework and Draft Annual Governance Statement</u>
Governance and Audit Committee – 01 August 2023
<ol style="list-style-type: none">1. Update from the Council's external auditors, BDO.2. Verbal update from the Council's S151 Officer with regard to the Council's statement of accounts.3. 2022/2023 Year End Review of Risk Management
Governance and Audit Committee - 12 September 2023
<ol style="list-style-type: none">1. Colchester Borough Homes Annual Report and Governance Statement

2. Revenue Monitoring Report – April to June 2023/24
3. Capital Expenditure 2022/2023 Outturn, and Capital Expenditure and Review summary 22/23
4. 2022/2023 Revenue Outturn

Governance and Audit Committee - 17 October 2023

1. Local Government and Social Care Ombudsman Annual Review 2022/2023
2. Health and Safety Policy and Annual Report
3. Treasury Management Report 2022/2023
4. 2023/24 Capital Monitor Q1 and Q2

Governance and Audit Committee – 28 November 2023

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

Governance and Audit Committee - 16 January 2024

1. Interim Review of the Annual Governance Statement Action Plan
2. Risk Management Progress Report
3. Mid-Year Internal Audit Assurance Report 2023/2024
4. CCHL Half-Year Performance Report
5. Annual Review of the Council's Companies' Business Plans
6. Annual Review of Business Continuity

Governance and Audit Committee - 5 March 2024

1. Internal Audit Plan 2024/2025
2. Revenue Monitoring Report – October to December
3. Capital Monitoring Report – October to December
4. Financial Monitoring Report

