

# Governance Committee

**Grand Jury Room, Town Hall  
24 September 2013 at 6.00pm**

To consider and approve the Council's Statement of Accounts and review the Council's annual audit letter. To consider and approve the Council's governance, risk management and audit arrangements. To make recommendations to the Council on functions such as Elections and byelaws, and determine Community Governance Reviews.

# Information for Members of the Public

## Access to information and meetings

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[www.colchester.gov.uk](http://www.colchester.gov.uk)

## **Governance 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.

**COLCHESTER BOROUGH COUNCIL  
GOVERNANCE COMMITTEE  
24 September 2013 at 6:00pm**

**Members**

Chairman : Councillor Ray Gamble.  
Deputy Chairman : Councillor Nigel Offen.  
Councillors Cyril Liddy, Christopher Arnold, Sue Lissimore,  
Peter Sheane and Laura Sykes.

**Substitute Members** : All members of Council who are not Cabinet members or members of this Panel.

**Agenda - Part A**

(open to the public including the media)

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

**Pages**

**1. Welcome and Announcements**

(a) The Chairman to welcome members of the public and Councillors and to remind all speakers of the requirement for microphones to be used at all times.

(b) At the Chairman's discretion, to announce information on:

- action in the event of an emergency;
- mobile phones switched to silent;
- the audio-recording of meetings;
- location of toilets;
- introduction of members of the meeting.

**2. Substitutions**

Members may arrange for a substitute councillor to attend a meeting on their behalf, subject to prior notice being given. The attendance of substitute councillors must be recorded.

**3. Urgent Items**

To announce any items not on the agenda which the Chairman has agreed to consider because they are urgent and to give reasons for the urgency.

**4. Declarations of Interest**

The Chairman to invite Councillors to declare individually any interests

they may have in the items on the agenda. Councillors should consult Meetings General Procedure Rule 7 for full guidance on the registration and declaration of interests. However Councillors may wish to note the following:-

- Where a Councillor has a disclosable pecuniary interest, other pecuniary interest or a non-pecuniary interest in any business of the authority and he/she is present at a meeting of the authority at which the business is considered, the Councillor must disclose to that meeting the existence and nature of that interest, whether or not such interest is registered on his/her register of Interests or if he/she has made a pending notification.
- If a Councillor has a disclosable pecuniary interest in a matter being considered at a meeting, he/she must not participate in any discussion or vote on the matter at the meeting. The Councillor must withdraw from the room where the meeting is being held unless he/she has received a dispensation from the Monitoring Officer.
- Where a Councillor has another pecuniary interest in a matter being considered at a meeting and where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the Councillor's judgment of the public interest, the Councillor must disclose the existence and nature of the interest and withdraw from the room where the meeting is being held unless he/she has received a dispensation from the Monitoring Officer.
- Failure to comply with the arrangements regarding disclosable pecuniary interests without reasonable excuse is a criminal offence, with a penalty of up to £5,000 and disqualification from office for up to 5 years.

## **5. Minutes**

**1 - 6**

To confirm as a correct record the minutes of the meeting held on 25 June, 2013.

## **6. Have Your Say!**

(a) The Chairman to invite members of the public to indicate if they wish to speak or present a petition at this meeting – either on an item on the agenda or on a general matter not on this agenda. You should indicate your wish to speak at this point if your name has not been noted by Council staff.

(b) The Chairman to invite contributions from members of the public who wish to Have Your Say! on a general matter not on this agenda.

## **7. Annual Statement of Accounts**

### **a. Annual Statement of Accounts 2012/13**

**7 - 13**

See report and Letter of Representation from the Assistant Chief Executive.

### **b. Audit Committee Summary for year ending 31 March 2013**

**14 - 23**

See report from Ernst Young.

Representatives from Ernst Young will attend the meeting and present the Audit Committee Summary.

## **8. Work Programme**

**24**

See report from the Assistant Chief Executive.

# GOVERNANCE COMMITTEE

## 25 JUNE 2013

*Present :-* Councillor Ray Gamble (Chairman)  
Councillors Cyril Liddy, Sue Lissimore, Nigel Offen,  
Peter Sheane and Laura Sykes

### 3. Apologies

Councillor Arnold gave his apology for not attending the meeting.

### 4. Minutes

The minutes of the meeting held on 22 May 2013 were confirmed as a correct record.

### 5. Work Programme

Mr. Robert Judd, Democratic Services Officer, presented the Work Programme for 2013-14.

*RESOLVED* that the Committee noted the 2013-14 Work Programme.

### 6. Annual Report and Governance Statement - Colchester Borough Homes

**Councillors Offen, L. Sykes and Gamble (in respect of being Members of the Board of Colchester Borough Homes) all declared a non-pecuniary interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(5);**

Councillor Nigel Chapman, Member of Colchester Borough Homes and Chairman of the Finance and Audit Sub Committee and Mr. David Lincoln, Director of Resources, Colchester Borough Homes, attended the meeting for this item.

Councillor Chapman thanked the Chairman for inviting representatives from Colchester Borough Homes to present the 2012-13 Annual Report and Governance Statement for Colchester Borough Homes.

Councillor Chapman said like Colchester Borough Council, Deloitte are the internal auditors for Colchester Borough Homes and produced the Internal Audit Annual Report 2012-13 which he commended to the Committee for approval.

Councillor Chapman explained that the Finance and Audit Sub Committee of Colchester Borough Homes take the following actions to assure itself that the Company has proper and secure arrangements in place, and these include: i) Agreeing each year

to an audit plan for a three year period on a risk based approach; ii) Receiving regular updates on the progress against this plan throughout the year from Internal Audit; iii) Carrying out an annual self assessment of how it is functioning based on CIPFA guidelines; iv) Considering and recommending the Annual Governance Statement to the Board; v) Monitoring the actions coming out of the Annual Governance Statement, and vi) Producing the Risk Management Strategy and monitors the key strategic risks of the Company.

Councillor Chapman said there is a formally binding contract between the Council and Colchester Borough Homes, in place until August 2013 that clearly sets out the governance arrangements that applies between the two parties and complies with national best practice. He added that the Governance Framework will enable Colchester Borough Homes to pursue its vision effectively and enable the Finance and Audit Sub Committee to undertake strong scrutiny with procedures rigorously reviewed on a regular basis.

In response to Councillor L. Sykes, Mr. Lincoln said there is a joint audit for both the Council and Colchester Borough Homes in respect of Creditors systems and processes. The procedures for adding new suppliers to the creditors system is within the control of the Council, although the cross-over working arrangements have been improved.

In respect of Housing Rent, Mr. Lincoln explained to Councillor L. Sykes that the collection rate of 97.73% was at November 2012 and this improved to 98.94% by the end of March 2013.

Mr. Lincoln confirmed to Councillor L. Sykes that the General Ledger issues continue to be a high risk area but are continuously monitored, with the Council and Colchester Borough Homes working in partnership where aspects of work overlap, e.g. Council Tax Benefit.

Mr. Lincoln said Colchester Borough Council continue to work in close partnership with the Council to minimise the effects of changes to Council Tax Benefit and benefit reform in general. There will be between 60-80 people down sizing their accommodation due to the changes. Regular discussions are taking place concerning this work and the resources needed to be able to pro-actively react to the changes.

Mr. Alan Woodhead, Deloitte, said the assurance level awarded in the internal audit report meets CIPFA guidelines. These are a new set of internal audit standards for the public sector that have been recently published. The 'Public Sector Internal Audit Standards' take effect from 1 April 2013, are mandatory for all local authorities and are subject to the Accounts and Audit England Regulations 2011.

*RESOLVED* that the Committee considered and commented on the Internal Audit Annual Report and Governance Assurance Statement of Colchester Borough Homes and accepted the assurance provided by Colchester Borough Homes regarding its governance arrangements throughout 2012-13.



## 7. 2012/13 Internal Audit Report

Ms. Elfreda Walker, Finance Manager, and Mr. Alan Woodhead, Deloitte, attended the meeting for this item and Ms. Walker presented the 2012-13 Internal Audit Report.

Ms. Walker said the Committee is being asked to note and comment on the Council's performance relating to the Internal audit activity for the period 1 October 2012 – 31 March 2013, executing the internal audit work programme for 2012/13, the performance of internal audit by reference to national best practice benchmarks, and to note the introduction of the Public Sector Internal Audit Standards.

Ms. Walker reiterated the Key Messages within the report, that the Council continued to provide an effective internal audit service during the second half of the 2012/13 financial year, there were no recommendations raised in relation to either the audit of VAT or the regularity audit of Debtors, that the assurance ratings for the Homelessness and the Managing the Risk of Fraud audits have improved from 'Limited' to 'Substantial', that there were 10 priority 1, 71 priority 2 and 14 priority 3 recommendations made and all have been accepted by management, and there continues to be good progress made in implementing and verifying outstanding recommendations.

Ms. Walker confirmed that during the period 1 October 2012 to 31 March 2013 a total of 19 audits had been finalised and of these the assurance rating improved in 9% of the systems audits carried out, remained the same in 73% and declined in 18%. She added that during 2012-13 a total of 32 audits had been finalised with the assurance rating improving in 9% of the systems audits carried out, remaining the same in 74% and decreasing in 17%.

During the period, Ms. Walker said internal audit had monitored 252 recommendations, of which 105 recommendations (42%) had been implemented and verified, 77 (30%) had been implemented and were awaiting verification from internal audit, 63 (25%) were not due, and seven (3%) were overdue. She confirmed that progress in implementing overdue recommendations will continue to be closely monitored with priority being given to the recommendations awarded a higher priority rating and / or those that have been outstanding the longest.

Ms. Walker concluded by saying the key performance indicators show that the internal audit provider is exceeding the standards set and an internal assessment of the Council's compliance with the 'Public Sector Internal Audit Standards' is currently in progress, the outcomes of which will be reported to Members in the Interim Internal Audit Monitor report in November.

Councillor Offen was surprised that such basic issues as *'the Service Level Agreement with Braintree District Council relating to the Essex Procurement Hub should be signed by both parties as soon as possible'* and *'Management should ensure that a tender evaluation report is completed on each occasion to confirm details of the tenders received'* are not already undertaken and was amazed these type of comments have to be made, adding he would like assurances these have been immediately rectified. Ms. Walker said the recommendations for audit 702 'Contract

Management' are forming part of the Corporate and Financial Management Fundamental Service Review process and this is well under way.

In response to Councillor Liddy and the criteria for selecting goods and services, Ms. Walker said the criteria depend on the value of the goods or services procured. Procuring below £50k required three quotations, and above this figure required the need for a tender process. Above this figure advice should be sought from Legal Services. Procurements which exceed the financial limit set in the EC Directive, currently £173,394, must be let in accordance with the requirements of the EC Directive. For contracts for services, above £173,394 the Social Value Act requires the Council to consider how the services procured may improve the economic, social and environmental wellbeing of the area. The Council's approach to the Act is to be determined by Cabinet on 10 July 2013.

Councillor Liddy said he would like to see this policy extended to include ethical factors.

Mr. Ian Vipond, Strategic Director, said when considering new procurement contracts there is a need to evaluate the monetary value and the quality value. In most cases the process provides a mechanism to allow tenders whose assessment is based on many such criteria.

Councillor Offen, whilst pleased with the outcomes from audit 729 – Fuel Usage, requested a year-end comparative report of progress on the key outcomes and fuel usage.

*RESOLVED* that the Committee;

- i) Noted the Council's performance relating to the Internal audit activity for the period 1 October 2012 – 31 March 2013, the execution of the internal audit work programme for 2012/13, the performance of internal audit by reference to national best practice benchmarks, and the introduction of the Public Sector Internal Audit Standards.
- ii) Requested a year-end comparative report of progress on the key outcomes and fuel usage in respect of audit 729 'Fuel Usage'.

## **8. 2012/13 Annual Governance Statement and Framework**

Ms. Hayley McGrath, Risk and Resilience Manager, attended the meeting and presented the report 'Review of the Governance Framework and Draft Annual Governance Statement'.

Ms. McGrath said the Governance Framework and Annual Governance Statement formed part of the overall process of compiling the draft Annual Statement of Accounts. She added that the Committee is required to review the Council's

compliance with the six principles of good governance, including the effectiveness of the internal control arrangements, as described in paragraph 4.2 of the report.

Ms. McGrath reiterated that the Council had reviewed the control issues from which an Action Plan was drafted, focusing on areas where management had raised concerns, but officers are now of the opinion that this does not reflect a reduction in the overall quality of the control environment.

Ms. McGrath drew Member's attention to appendix 2 of the report, the 2013-14 Action Plan that listed the significant control issues relating to 2012-13.

In respect of the Leisure World issue, and in response to Councillor Offen, Ms. McGrath said the loss of income from the Events Service was of a five figure sum. The investigation led to a member of staff being dismissed and the issue being reported to the Police. The Police investigation is ongoing, and any outcomes will be reported to the Committee.

Ms. McGrath agreed that there are a significant number of recommendations raised by the Fuel Usage audit the outcomes will be reported back to the Committee.

*RESOLVED* that the Committee considered and noted the review of the Council's compliance with the six principles of good governance including the review of effectiveness of the internal control arrangements, and approved the Annual Governance Statement for 2012-13.

## **9. 2012/13 Risk Management Strategy**

Ms. Hayley McGrath, Risk and Resilience Manager, presented the 2012-13 Risk Management Strategy.

Ms. McGrath said the Committee was being asked to consider and note the risk management work undertaken during 2012/13, the year end strategic risk register, and the proposed risk management strategy for 2013/14 and endorse the submission of this report to Cabinet.

Ms. McGrath said the key messages within the report are; i) the economy and cuts in public spending continue to have had a significant impact on the key risks during the year. The highest risk on the year end strategic register remains the potential impact of future central government decisions to reduce public funding, including that of the Council's partners; ii) the direct effect on resources, with cuts in public spending influencing non-financial risk areas such as staff motivation, as a result of implementing the changes required to ensure that effective services continue to be provided; and iii) Risk Management principles continue to be reinforced and embedded in the organisation. The 2011/12 Annual Governance Report, issued by the Audit Commission in September 2012, stated that "Good systems, processes and controls are in place, including effective risk management systems". This is demonstrated by the 2012/13 internal audit review which provided a substantial assurance level.

Ms. McGrath said the risk 3e. 'Staff motivation declining with the impact of fundamental service reviews and implementation of other budget efficiencies' remained a significant ongoing risk for the Council.

Ms. McGrath said that during the year there had been a comprehensive review of motor fleet risks. In August 2012 the Council experienced a significant increase in motor vehicle insurance premiums, primarily due to the number of incidents involving Council fleet vehicles, and an Action Plan was drawn up that identified various objectives to improve the situation. The work undertaken so far has already seen a reduction in claim numbers from the previous year and a lower than anticipated insurance premium for 2013/14 of £75k, renegotiated from £90k and considerably lower than the pre-review premium of £150k. In response to Councillor Sheane, Ms. McGrath said these insurance premiums are brokered by the Aon company through Amlin PLC of Chelmsford. Other Council insurance premiums are brokered by Zurich Insurance UK.

Therefore a review has been undertaken and the strategy has been updated for 2013/14, although there are no fundamental changes proposed.

*RESOLVED* that the Committee considered and noted the risk management work undertaken during 2012/13, the year end strategic risk register and the proposed risk management strategy for 2013/14, and endorsed the submission of the report to Cabinet.

## **10. Draft Annual Statement of Accounts**

Mr. Steve Heath, Finance Manager attended the meeting and presented the Draft Annual Statement of Accounts.

Mr. Steve Heath, Finance Manager, presented the report 'Draft Annual Statement of Accounts 2012-13'. Mr. Heath said the draft accounts had today been certified by the responsible financial officer in accordance with the statutory deadline of 30 June, and in line with good practice will shortly be published on the Council's website, with a link provided to Members.

Mr. Heath confirmed that the accounts will be open for public inspection from Monday 22 July to Friday 16 August to meet the Council's legal duties. The dates will be advertised in the local press by 5 July, two weeks prior to the commencement of the public inspection. He added that the Audited Statement of Accounts will be presented to the Committee on 24 September 2013, with an internal briefing session arranged for the Committee (although open to all Members) on the Thursday preceding the meeting.

*RESOLVED* that the Committee considered and noted the report relating to the pre-audit Statement of Accounts for 2012/13, agreed the separate internal briefing session for the Committee, and the 30 September 2013 deadline date for approval of the audited accounts.



## Governance Committee

Item  
**7a**

24 September 2013

<b>Report of</b>	<b>Assistant Chief Executive</b>	<b>Author</b>	<b>Steve Heath</b> ☎ 282389
<b>Title</b>	<b>Annual Statement of Accounts 2012/13</b>		
<b>Wards affected</b>	Not applicable		

**This report provides comments on the Auditors' report on the Statement of Accounts for 2012/13.**

### 1. Decisions Required

- 1.1 To:-
- Accept the Auditors' report,
  - Note the comments in this covering report,
  - Approve the letter of representation, and
  - Approve the audited Statement of Accounts.

### 2. Audit Results Report

- 2.1 The pre-audit Statement of Accounts (SOA) was certified by the responsible financial officer on 25 June in accordance with the statutory deadline. A report was presented to this Committee on 25 June highlighting the availability of the draft accounts, and explaining the key financial statements.
- 2.2 The time allowed for members of the public to inspect the accounts has now ended and the final accounts audit is nearly complete. 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 Auditors' report to those charged with governance is the final stage in the process to approve the Council's Statement of Accounts.
- 2.3 The Auditor expects to issue an unqualified Opinion that the accounts give a true and fair view of the Council's financial position as at 31 March 2013 (Page 6 of Auditors' report) by the statutory deadline of 30 September. 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.
- 2.4 The Audit Plan identified six specific audit risks that are shown on page 5 of the report. The Auditors' testing has not identified any significant issues, and does not raise any concerns over our accounting treatment of these areas. The report also states that the audit has not identified any weaknesses in internal control that might result in a material error in the financial statements.
- 2.5 The audit identified a small number of disclosure and consistency errors within the accounts that have all been amended. No material errors were identified, and there were no errors identified during the audit that have not been adjusted.

- 2.6 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. In examining these arrangements, the Auditor did not identify any significant risks and has no issues to report.
- 2.7 In line with International Standards of Auditing, the Audit Commission 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, is attached to this report.

### **3. Joint Committees**

- 3.1 The Colchester and Ipswich Museum Service Joint Committee (JMC) was formed with Ipswich Borough Council on 1 April 2007, and the North Essex Parking Partnership (NEPP) replaced the previous parking partnership on 1 April 2011 to provide both on and off-street parking services for a number of authorities within Essex.
- 3.2 Colchester Borough Council is the lead authority for both Joint Committees and all financial transactions are recorded in our accounts. However, as the Joint Committees were established under Sections 101 and 102 of the Local Government Act 1972, they are required to produce annual returns that are subject to a limited assurance audit. The draft accounts for 2012/13 were submitted to both Joint Committees for approval prior to the statutory deadline of 30 June. The audited returns will be reported to future meetings of the Joint Committees.

### **4. Strategic Plan References**

- 4.1 The objectives and priorities of the Strategic Plan informed all stages of the budget process for 2012/13.

### **5. Publicity Considerations**

- 5.1 The accounts were open for public inspection from Monday 22 July to Friday 16 August to meet our legal duties. This had been advertised in the local press, on the Council's website and through social media.

### **6. Financial Implications**

- 6.1 The approval of the audited 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.

### **7. Other Standard References**

- 7.1 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:**

Audit Results Report

Draft Letter of Representation

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

Draft Statement of Accounts 2012/13 (updated)

Draft Annual Statement of Accounts – Report to Governance Committee on 25 June 2013.

## Corporate & Financial Management

Rowan House  
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Debbie Hanson  
Director  
Ernst & Young LLP

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E-mail sean.plummer@colchester.gov.uk  
Your ref  
Our ref  
Date September 2013

Dear Debbie

### Letter of Representation – 2012/13 financial year

This representation letter is provided in connection with your audit of the consolidated and parent financial statements of Colchester Borough Council (“the Group and Council”) for the year ended 31 March 2013. 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 parent financial statements give a true and fair view of the Group and Council financial position of Colchester Borough Council as of 31 March 2013 and of its income and expenditure for the year then ended in accordance with, for the Group and the Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), 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**

We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the Council, the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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 the Council, in accordance with the CIPFA LASAAC Code of Practice on



Local Authority Accounting in the United Kingdom 2012/13 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

The significant accounting policies adopted in the preparation consolidated and council financial statements are appropriately described in the consolidated and council financial statements.

As members of management of the Group and Council, we believe that the Group and Council has 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 2012/13 for the Group and the Council, that are free from material misstatement, whether due to fraud or error.

There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

### **B. Fraud**

We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

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.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group and Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group and Council.

### **C. Compliance with Laws and Regulations**

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

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

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 as agreed in terms of the audit engagement.
- 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.

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

We have made available to you all minutes of the meetings of the Council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meetings as shown online on our website.

We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the 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 period 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.

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 financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

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.

We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the consolidated and council financial statements all guarantees that we have given to third parties.

#### **F. Subsequent Events**

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

#### **G. Accounting Estimates**

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

In respect of accounting estimates recognised or disclosed in the financial statements:

- We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

#### **H. Group Audits**

There are no significant restrictions on our ability to distribute the retained profits of the group because of statutory, contractual or other restrictions other than those indicated in the accounts.

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

### **I Retirement benefits**

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 Committee on 24 September 2013.

**Sean Plummer**  
**Chief Financial Officer**

# Colchester Borough Council

## Audit Committee Summary

For the year ended 31 March 2013

Audit results report – ISA 260

24 September 2013

Debbie Hanson, Director  
[dhanson@uk.ey.com](mailto:dhanson@uk.ey.com)

Gary Belcher, Manager  
[gbelcher@uk.ey.com](mailto:gbelcher@uk.ey.com)



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# Executive Summary

## Key findings

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### **■** Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to 'those charged with governance' on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2012/13 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

#### **Financial statements**

- ▶ As of 13 September 2013, we expect to issue an unqualified opinion. Our audit demonstrates that the Council has prepared its financial statements well and this is reflected in the low number of issues to bring to your attention.

#### **Value for money**

- ▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

#### **Whole of government accounts**

- ▶ We expect to issue an unqualified confirmation to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

#### **Audit certificate**

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the Audit Opinion.

# Extent and purpose of our work

## The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Purpose of our work

Our audit was designed to:

- ▶ Express an opinion on the 2012/13 financial statements.
- ▶ Report on any exception on the governance statement or other information included in the foreword.
- ▶ As a component auditor, follow the group instructions and send to the National Audit Office our group assurance certificate, audit results report and auditor's report on the consolidation schedule.
- ▶ Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).

This report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and material internal control findings.

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than this specified parties.

# Addressing audit risks

## Opinion and value for money risks

**I** We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit Risk identified within our Audit Plan	Audit Procedures performed	Assurance gained and issues arising
<b>Significant audit opinion risks</b>		
1. Fleet vehicle leases and lease accounting.	<ul style="list-style-type: none"> <li>Our audit work on leases focussed on the new leases brought to account in 2012/13 and assessed whether they met the requirements of the Accounting Code of Practice and International Accounting Standards.</li> </ul>	<ul style="list-style-type: none"> <li>Our audit work confirmed that the accounting treatment adopted by the Council in respect of the new fleet vehicle leases was appropriate.</li> </ul>
2. Risk of misstatement due to fraud and error.	<ul style="list-style-type: none"> <li>We assessed the effectiveness of management's controls designed to detect and address fraud and error. We tested the completeness of accruals and provisions, cut-off, existence of income, and journal adjustments.</li> </ul>	<ul style="list-style-type: none"> <li>We did not identify any material instances of fraud or error.</li> </ul>
<b>Value for money conclusion risks</b>		
1. Implementation of the Universal Contact Centre FSR Business Plan (UCC FSR)	<ul style="list-style-type: none"> <li>We reviewed the UCC FSR business plan against the value for money criteria for securing economy, efficiency and effectiveness, and assessed the overall progress of the implementation plan.</li> </ul>	<ul style="list-style-type: none"> <li>Our work did not identify any issues with the implementation of the UCC FSR.</li> </ul>
2. Changes to arrangements for council tax support and business rates.	<ul style="list-style-type: none"> <li>We reviewed the Council's arrangements to plan for and manage the changes to local council tax support and business rates.</li> </ul>	<ul style="list-style-type: none"> <li>The Council has clearly identified the risks relating to these two changes and has built appropriate assumptions regarding the impact on the Council's finances into the budget and MTFP.</li> </ul>
3. Impact of introduction of HRA self financing	<ul style="list-style-type: none"> <li>Our approach focussed on the review of the Council's treasury management arrangements in place, and the continued relevance of initial HRA self-financing assumptions made.</li> </ul>	<ul style="list-style-type: none"> <li>The Council continues to adequately monitor their treasury management arrangements, which includes the HRA self-financing debt taken on in 2011/12 and the associate debt repayment profile.</li> </ul>
4. Procurement and contract management	<ul style="list-style-type: none"> <li>We reviewed Internal Audit's report and the Council's action plan in response to the recommendations made.</li> </ul>	<ul style="list-style-type: none"> <li>No issues were noted from our review. The Council has adequate plans in place to implement the recommendations made by Internal Audit.</li> </ul>



# Financial statements audit

## Issues and errors arising from the audit

### Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the Governance Committee meeting:
  - ▶ Receipt of a Letter of Representation.
  - ▶ Director final review of audit work and financial statements.
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

### Uncorrected errors

- There were no errors within the draft financial statements, which management have chosen not to adjust.

### Corrected errors

- Our audit identified a limited number of errors which the audit team have highlighted to management for amendment. All of these have been adjusted during the course of our work.
- We do not consider any of these to be significant and therefore we have not provided further details of these amendments in this report.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:

- Qualitative aspects of your accounting practices;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

We have no matters we wish to report.

# Other findings and issues

## *Internal control, written representations & whole of government accounts*

### Internal control

It is the responsibility of the Council 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 Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have reviewed the Annual Governance Statement and can confirm that:

- ▶ it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- ▶ it is consistent with other information that we are aware of from our audit of the financial statements.

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

### Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters, for which we do not currently have sufficient audit evidence. There were no additional specific representations required other than the standard representations.

### 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 my report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Governance Committee.

# Arrangements to secure economy, efficiency and effectiveness

*The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Colchester Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.*

## Criteria 1 - Arrangements for securing financial resilience

▶ *“Whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future”*

▶ We did not identify any significant risks in relation to this criteria.

▶ We have no issues to report in relation to this criteria

## Criteria 2 - Arrangements for securing economy, efficiency and effectiveness

▶ *“Whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.”*

▶ We did not identify any significant risks in relation to this criteria.

▶ We have no issues to report in relation to this criteria

# Independence & audit fees

## Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 11 February 2013.
- ▶ We complied with the Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance and 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 confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Governance Committee on 24 September 2013.

- ▶ We confirm that we have met the reporting requirements to the Governance Committee, as 'those charged with governance' under International Standards on Auditing (ISA) 260. Our communication plan to meet these requirements were set out in our Audit Plan of 11 February 2013.

## Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2012/13	Scale fee 2012/13	Variation comments
	£	£	
Total Audit Fee - Code work	79,543	79,543	No change proposed.
Certification of claims and returns	25,550	25,550	No change proposed, however claims work is still in progress.
Non-Audit work	0	0	No non-audit work has taken place in 2012/13.

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



# Governance Committee

Item

**8**

24 September 2013

<b>Report of</b>	<b>Assistant Chief Executive</b>	<b>Author</b>	<b>Robert Judd</b> <b>Tel. 282274</b>
<b>Title</b>	<b>Work Programme 2013-14</b>		
<b>Wards affected</b>	Not applicable		

## 1. Decision required

1.1 The Committee is asked to comment on and note the 2013-14 Work Programme.

## 2. Reason for the Decision

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

Meeting date / Agenda items
25 June 2013 (Chairman's briefing, 5.00pm, 20 June at Rowan Ho.) 1. Draft Annual Statement of Accounts (Finance Manager) 2. 2012-13 Annual Governance Statement and Framework (Risk and Resilience) 3. 2012-13 Risk Management Strategy (Risk and Resilience) 4. 2012-13 Annual Governance Statement and Audit Report CBH (David Lincoln CBH) 5. 2012-13 Internal Audit report (Audit and Governance)
30 July 2013
27 August 2013
24 September 2013 (Chairman's briefing 2.30pm 19 Sept at Rowan Ho.) 1. Audited Annual Statement of Accounts (Finance Manager) 2. Annual Governance Report (Ernst & Young)
15 October 2013 (Chairman's briefing 2.30pm 10 Oct at G7 Rowan Ho.) 1. Publication of the Audited Statement of Accounts (Finance Manager) 2. Annual Audit Letter (Ernst & Young) 3. Update on Localism Act Provisions (Monitoring Officer) 4. Local Government Ombudsman annual review (Monitoring Officer) 5. Anti-Fraud and Corruption, Whistleblowing, Anti-Money Laundering and Benefits Fraud Sanctions Policies (Monitoring Officer) 6. Local Code of Corporate Governance review (Monitoring Officer)
19 November 2013 (Chairman's briefing 2.30pm 12 Nov at G7 Rowan Ho.) 1. Annual Business Continuity report (Risk and Resilience) 2. 2013-14 Interim Annual Governance Statement (Risk and Resilience) 3. 2013-14 Interim Risk Management (Risk and Resilience) 4. 2013-14 Interim Internal Audit Monitor (Audit and Governance)
14 January 2014 (Chairman's briefing 2.30pm 9 Jan at G7 Rowan Ho.) 1. Audit Opinion Plan (Ernst & Young) 2. Grants and Certifications (Ernst & Young)

