

Governance Committee

**Grand Jury Room, Town Hall
19 November 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.

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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
19 November 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 15 October 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 Audit Letter | 7 - 27 |
| See report by the Assistant Chief Executive | |
| Debbie Hanson, on behalf of Ernst and Young LLP, will attend the meeting for this item | |
| 8. Work Programme | 28 - 29 |
| See report from the Assistant Chief Executive. | |
| 9. Annual Governance Statement Action Plan // Interim Review | 30 - 35 |
| See report by the Assistant Chief Executive | |
| 10. Risk Management Progress Report | 36 - 48 |
| See report by the Assistant Chief Executive | |
| 11. Mid Year Internal Audit Assurance report 2013/14 | 49 - 60 |
| See report by the Assistant Chief Executive | |
| 12. Recruitment Policy for Applicants Related to Staff Employed by the Council | 61 - 63 |
| See report by the Assistant Chief Executive | |
| 13. Exclusion of the Public | |
| In accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972). | |

GOVERNANCE COMMITTEE

15 OCTOBER 2013

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

Also in Attendance :- Councillor Malcolm Bartier
Councillor Sue chamley
Sarah Greatorex
Barbara Pears

17. Minutes

The minutes of the meeting held on the 24 September 2013 was confirmed as a correct record, subject to the addition of the following sentence to Minute No 11:

'Members of the Committee spoke warmly of Robert's determination to support and develop the Council's scrutiny process over many years.'

18. Annual Statement of Accounts 2012/13

The Committee considered a report by the Assistant Chief Executive presenting the audited Statement of Accounts 2012/13.

On 26 September 2013 the Auditor had issued an unqualified opinion that the accounts give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year then ended. The audit had therefore been formally closed, and the audited accounts were published on the Council's website on 30 September 2013.

19. Review of Members' Code of Conduct and the Council's "Arrangements"

The Committee considered a report by the Monitoring Officer reviewing the Members' Code of Conduct and the Council's 'Arrangements'.

Andrew Weavers, the Monitoring Officer explained that the Localism Act 2011 had made fundamental changes to the system of regulation of standards of conduct for elected and co-opted Members. The Act required that local authorities adopt a code of conduct consistent with the seven Nolan Principles of public life and that Principal Authorities put in place 'Arrangements' to deal with allegations that Councillors had failed to comply with the Members' Code of Conduct. Principal Authorities were also required to appoint at least one Independent Person who would be consulted as part of the Council's 'Arrangements'.

Council had formally adopted the Council's Members' Code of Conduct and its 'Arrangements' in June 2012 and the meeting also appointed Derek Coe as the Council's Independent Person until 30 June 2013 in accordance with prescribed transitional arrangements. In May 2013 Barbara Pears and Sarah Greatorex were appointed as the Council's new Independent Persons for a term of four years.

All the Town and Parish Council's in the Borough had adopted the Borough Council's Code although one Parish Council had subsequently adopted an alternative version. The Localism Act also required the Council to adopt 'arrangements' for dealing with allegations that Councillors had failed to comply with the Code. As at the date of the report there had been no such allegations or referrals.

There was also a more streamlined approach to dealing with councillor complaints compared to the previous regime. Five allegations had been received in total since July 2012, all of which were deemed not to merit further investigation by the Monitoring Officer in consultation with the Independent Person.

RESOLVED that -

- (i) The contents of this report be noted;
- (ii) The Committee keeps the Members' Code of Conduct and the Council's 'Arrangements' under annual review and recommends to Council any subsequent amendments in the light of experience.

20. Local Government Ombudsman - Annual Review 2012-13

The Committee considered a report from the Monitoring Officer providing details of the Local Government Ombudsman's Annual Review for 2012/13.

It was explained that there had been no findings of maladministration against the Council and no formal reports had been issued. The total number of complaints in the year was ten compared to 28 in the previous year.

RESOLVED that the contents of the Local Government Ombudsman's Annual Review for 2012/13 be noted.

21. Review of the Ethical Governance Policies

The Committee considered a report from the Monitoring Officer providing details of the revised policies relating to:

- Anti-Fraud and corruption
- Whistleblowing
- Benefits Sanctions
- Anti-Money Laundering

- Corporate Information Security
- Covert Surveillance

The Council was committed to maintaining the highest standards of governance and to ensuring that all activities are conducted ethically, honestly, openly and accountably so as to protect public safety and public money. A varied range of policies and procedures formed the Corporate Governance framework. In addition, the Ethical Governance policies set out the standards of conduct and integrity that it expects from staff, elected members, suppliers, partners, volunteers and the public.

In February 2012 full Council adopted a statement of intent in relation to both Ethical and Corporate Governance which gave a high organisational commitment to zero tolerance of fraud, corruption and bribery. The Ethical Governance policies were also adopted as part of the Council's policy framework.

The policies had been reviewed to ensure that they remained fit for purpose and no changes were proposed apart from to the Benefits Sanctions Policy which had been updated in relation to Sanctions, Loss of Benefit, Administrative Penalties and Additional Penalties.

The Monitoring Officer further pointed out that, following a recent Government announcement, the references to the National Criminal Intelligence Service and the Serious Organised Crime Agency in the Anti Money Laundering Policy would need to be changed to the National Crime Agency.

Discussion from the Panel members was in relation to:

- The potential for Councillors to be required to agree to Criminal Records Bureau checks. This was not a statutory requirement and did not impact on a person's ability to seek Election;
- The Council's current good success rate in the recovery of fraudulent Benefit payments;
- Whether the Council's Benefits Sanctions Policy included the seeking of restitution;
- The ability of the Council to make a claim on its insurance policy in cases where no resources were available from individuals and the relationship between the police and the Council in such instances.

RECOMMENDED to Council that the following Policies be approved for inclusion in the Council's Policy Framework:

- Anti-Fraud and corruption
- Whistleblowing
- Benefits Sanctions
- Anti-Money Laundering
- Corporate Information Security
- Covert Surveillance

22. Review of Local Code of Corporate Governance

The Committee considered a report by the Monitoring Officer giving details of the updated Local Code of Corporate Governance for 2013/14.

The Local Code of Corporate Governance had been developed to ensure that the Council complied with the principles set out in the CIPFA/SOLACE guidance. The Code was reviewed annually, to ensure that the Council was still satisfying the principles, and formed part of the Council's Policy Framework.

The guidance identified six Core Principles against which local authorities should review their existing corporate governance arrangements and develop and maintain a local code of governance. These were:

- Focusing on the purpose of the Council and outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

The Local Code, and the Councils compliance with the principles, had been reviewed, and

the following changes had been made:

- The Localism Act 2011 required various policies and procedures to be updated. These have been included in the review to ensure that the Council is complying with aspects of the Act that have already come into force.
- The Code has been updated to reflect the Council's new political governance arrangements.

RECOMMENDED to Council that Local Code of Corporate Governance for 2013/14 be approved for inclusion in the Council's Policy Framework.

23. Guidance for Councillors and Officers on Outside Bodies

The Committee considered a report by the Monitoring Officer setting out the revised guidance for Councillors and Officers on Outside Bodies.

The Council had provided guidance to Councillors and officers who were nominated to serve on outside bodies. This Guidance had last been reviewed by the Standards

Committee in June 2009 and the opportunity was being taken to review its contents.

It was explained that Councillors and officers were appointed to outside bodies to represent the Council. However along with the appointment came potential liability in other capacities. For example, where a Councillor was also appointed to the Board of a Company they then become a Director of that Company and with that came additional responsibilities including their Fiduciary Duty to the Company which must take priority over their responsibility to the Council.

The revised Guidance sought to provide advice to Councillors in these situations. It was suggested that the revised guidance be provided to all Councillors and officers who are nominated to outside bodies and that it be included in the Council's Constitution.

Members of the Committee welcomed the revised guidance and were collectively of the view that its contents would clarify and greatly support their roles on outside bodies. The members were also of the view that this Guide, together with the Members Code of Conduct could usefully be sent out to all councillors without delay and with a recommendation that the contents be considered in detail.

RESOLVED that:

- (i) The Guidance for Councillors and Officers on Outside Bodies be approved and adopted for inclusion in the Council's Constitution.
- (ii) All Councillors as well as those Officers who are appointed to Outside Bodies be provided with a copy of the Guidance and Councillors be advised of the importance of ensuring they are aware of the Guidance' contents.

RECOMMENDED to Cabinet that it be noted that the revised Guidance includes advice to Councillors appointed as Board members regarding their Fiduciary Duty to the Company taking priority over the Councillor's responsibility to the Council when acting as a Board member.

24. Work Programme

The Committee considered the contents of a report by the Assistant Chief executive on the Work Programme for the year.

Three items had been added to the Programme, provisionally for November, following requests made at the last meeting. Also Ernst and Young had asked for the Annual Audit Letter to be rescheduled to the meeting in November 2013.

In order to better accommodate the forthcoming items of business, it was reported that, if the Committee were agreeable, it would be possible to defer the Annual Business Continuity report and the Review of Pensions to the meeting in January 2014.

RESOLVED that the contents of the Work Programme be noted and the reports on the

Annual Business Continuity and the Review of Pensions be rescheduled to the meeting in January 2014.



Governance Committee

Item
7

19 November 2013

Report of	Assistant Chief Executive	Author	Steve Heath
Title	Annual Audit Letter		☎ 282389
Wards affected	Not applicable		

**The Committee is invited to consider and note the contents of the
2012/13 Annual Audit Letter**

1. Action required

- 1.1 To consider and note the contents of the 2012/13 Annual Audit Letter, and Local Government Audit Committee Briefing.

2. Reason for scrutiny

- 2.1 The Accounts and Audit Regulations require the Council to consider the Annual Audit Letter.

3. Supporting information

- 3.1 The 2012/13 Annual Audit Letter summarises the conclusions and significant issues arising from Ernst & Young's 2012/13 audit of the council, and the way the Council uses its resources.
- 3.2 The Local Government Briefing that accompanies the Annual Audit Letter summarises some sector-wide issues that may have an impact on the Council.

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 Annual Audit Letter has been publicised on the Council's website, and a hard copy of the document is available at Council offices in line with statutory requirements.

6. Other Standard References

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

Colchester Borough Council

Year ending 31 March 2013

Annual Audit Letter

21 October 2013



Building a better
working world

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Members
Colchester Borough Council
Rowan House
33 Sheepen Road
Colchester
Essex
CO3 3WG

21 October 2013

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Colchester Borough Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Colchester Borough Council in the following report:

**2012/13 Audit results report for
Colchester Borough Council**

Issued 24 September 2013

The matters reported here are the most significant for the Council.

I would like to take this opportunity to thank the officers of Colchester Borough Council for their assistance during the course of our work.

Yours faithfully

Debbie Hanson
For and behalf of Ernst & Young LLP
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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.

1. Executive summary

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan we issued on 11 February 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

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 an annual basis 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.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Colchester Borough Council for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland)	On 26 September 2013 we issued an unqualified audit opinion in respect of the Council.
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	On 26 September 2013 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Council (the Governance Committee) communicating significant findings resulting from our audit.	On 24 September 2013 we issued and presented our report in respect of the Council to the Governance Committee.
Report to the National Audit Office on the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 23 September 2013.
Consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	We did not issue such a report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	We did not take such action.
Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	On 26 September 2013 we issued our audit completion certificate.

Issue a report to those charged with governance of the Council summarising the certification (of grants claims and returns) work that we have undertaken.

We plan to issue our annual certification report to those charged with governance with respect to the 2012/13 financial year by 31 January 2014.

1.1 Audit fees

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

	Planned fee	Scale fee	Final
Code audit work	£79,543	£79,543	£79,543
Certification of claims and returns	£25,550	£25,550	See note below
Non-Code work	Nil	N/A	Nil

Our actual fee is in line with the agreed fee for the Code audit work.

Work on the certification of claims and returns is not yet complete. We will report our final fee for the certification work in our report to be issued by 31 January 2014.

We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

2. Key findings

2.1 Financial statement audit

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 26 September 2013.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good.

The main issues identified as part of our audit were:

Significant risk 1: Fleet vehicle leases and lease accounting

Our audit work confirmed that the accounting treatment adopted by the Council in respect of the new fleet vehicle leases was appropriate.

Significant risk 2: Risk of misstatement due to fraud and error

We did not identify any material instances of fraud or error.

Other key findings:

We did not identify any material misstatements during our audit.

Management have corrected all the misstatements we identified. None of the adjustments made impacted on the Council's useable reserves.

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012/13 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 26 September 2013. Our audit did not identify any significant matters.

2.3 Objections received

No objections have been received in respect of the 2012/13 financial year.

2.4 Whole of government accounts

We reported to the National Audit office on 23 September 2013 the results of our work performed in relation the accuracy of the consolidation pack the Council is required to prepare for the whole of government accounts. We did not identify any areas of concern.

2.5 Annual governance statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance. We completed this work and did not identify any areas of concern.

2.6 Certification of grants claims and returns

We have not yet completed our work on the certification of grants and claims. We will issue the Annual Certification Report for 2012/13 in January 2014.

3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we communicated to those charged with governance at the Council, as required, any significant deficiencies in internal control.

We had no such matters to report.

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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Local Government Audit Committee briefing

Contents at a glance

Sector and economic news

Accounting, auditing and governance

Regulation news

Find out more

Introduction

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Building a better
working world



Sector and economic news

Proposals for the use of capital receipts from asset sales to invest in reforming services

On 25 July 2013 the Government launched a consultation on 'Proposals for the use of capital receipts from asset sales to invest in reforming services'. The consultation aimed to gather views from the Local Government sector on proposals to allow part or even the whole of a capital receipt from new asset sales to be used for one-off revenue purposes.

The broad aims of the proposed policy are to:

- ▶ Encourage good asset management planning and incentivise the appropriate sale of local authority assets so that they are put into productive use and support growth.
- ▶ To enable additional resources, from local authority asset sales, to give a capital receipt flexibility for the one-off cost of reforming, integrating or restructuring services.

Views were sought to gauge the level of support for the proposed policy, as well as comments on how it would work in practice and the mechanisms for delivery.

A competitive bidding process is the preferred mechanism for approving such use of capital receipts. It is proposed that any application under a bid based process should set out a cost/benefit analysis to demonstrate value for money.

The criteria to evaluate competing applications from local authorities could include:

- ▶ Amount of expenditure and proposed use of that revenue
- ▶ The reduction of ongoing/long-term costs
- ▶ How you plan to transform your services
- ▶ Working across the wider public sector
- ▶ Asset to be sold
- ▶ Possible forward use of an asset

The consultation also considered how any approved proposals would be implemented, highlighting two possible methods:

- ▶ A Direction from the Secretary of State, allowing specified revenue expenditure to be treated as capital expenditure
- ▶ Through the existing provisions in The Local Authorities (Capital Finance and Accounting) Regulations 2003 (SI: 2003/3146).

The preferred option set out in the consultation documented is through a letter of Direction from the Secretary of State, as this would more closely fit with the competitive bid process.



Sector and economic news

The consultation closed on 24 September, and it is expected that there will be a response to the consultation in Autumn setting out the finalised proposals. The indicative timeline set out in the consultation document is set out below.

Event	Timing
Bid process commences	Winter 2013
Bid process decisions	Spring 2014
Direction letter issued	Spring 2014
Disposal of Asset	August 2013-March 2016
Revenue Expenditure	April 2015-March 2016

Economic outlook

The ITEM Club, one of the UK's foremost independent economic forecasting groups, sponsored by EY, published its Autumn Forecast in October 2013. It recognises that the UK economy is improving with GDP now projected to grow by 1.4% this year and 2.4% next year after a 0.1% rise in 2012. It notes that this is supported by the encouraging outlook for exports and business investment. It warns, however, that unforeseen events could disrupt this positive outlook, not least new external shocks such as the US budget deadlock. It believes that the view that the UK government's initiatives to support the housing market will result in a housing bubble is strongly overplayed. It states that the current rises in prices and transactions are from a historically very low base, and remain way below pre-crisis levels. With the housing recovery knocking on into wider consumer spending, and virtually all surveys of business confidence trending upwards, the economic outlook for the UK is continuing to brighten – despite the inevitable risks.



Accounting, auditing and governance

Audit Commission briefing on the Local Audit and Accountability Bill

On 4 September 2013 the Audit Commission released a briefing paper on the Local Audit and Accountability Bill, which is currently passing through Parliament.

The briefing provides an up-to-date view of where the Commission believes that amendments and refinements could further improve and strengthen the Bill.

Eight areas are identified in the briefing, where the Commission believes improvements to the bill could be made:

1. Including an option for optional collective procurement arrangements.
2. Strengthening the arrangements for the appointment of auditors, by having external members on audit committees rather than separate audit panels.
3. Expanding the data collected as part of the National Fraud Initiative.
4. Allowing more time to develop a proportionate audit regime for small bodies, by allowing current arrangements to be extended to 2020.
5. Ensuring that there continues to be central returns and publications to support accountability to Parliament and the public.
6. Including reporting on arrangements to secure value for money.
7. Updating the legislative framework governing local public audit.
8. Considering the transitional issues to the new regime, given that contracts under the current framework end in 2016/17 (with potential extensions to 2020), but the Commission, who manage the contracts, is due to be fully abolished in 2015.

Minimum Revenue Provision (MRP)

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) became effective from March 2008. These regulations replaced the formula-based method for calculating MRP which existed under previous regulations under the Local Government Act 2003. The new requirement was for an authority to:

'Determine for the current financial year an amount of minimum revenue provision which it considers to be prudent'.

No definition of 'prudent' was given, although DCLG issued statutory guidance in 2008, which authorities had to take account of, setting out their interpretation. This was updated in 2012 to take account of HRA self-financing and the implications of IFRS regarding PFI schemes. For authorities with a positive Capital Financing Requirement (CFR) the guidance set four out options, but indicated that any alternatives that met the basic criteria included within the statutory guidance was acceptable. The four options are briefly described below:

1. Regulatory Method (for expenditure incurred before 1st April 2008, and supported expenditure incurred after that date):
 - ▶ MRP is charged at 4% of the Authority's capital financing requirement (or underlying need to borrow for a capital purpose) which has been reduced by Adjustment A (calculated in 2004 under previous regulations).
2. CFR Method (for expenditure incurred before 1 April 2008, and supported expenditure incurred after that date):
 - ▶ MRP is simply charged at 4% of the Authority's capital financing requirement at the end of the preceding financial year (with no technical adjustment).



Accounting, auditing and governance

3. Asset Life Method (for unsupported capital expenditure incurred on or after 1st April 2008):
 - ▶ An MRP provision is made over the estimated life of the asset for which the borrowing (or other long-term financing) has been undertaken. This will be based either on the 'equal instalment method' or the 'annuity method'.
4. Depreciation Method (for unsupported capital expenditure incurred on or after 1st April 2008):
 - ▶ An MRP provision is calculated in accordance with the standard rules for calculating depreciation provision.

The use of a broad framework rather than the formulaic approach has resulted in incorrect interpretation and calculation of MRP at a number of authorities in the past. Our audit work during the last year identified examples where authorities were not following their own accounting MRP policy or were, in a number of cases, overstating the amount of MRP that they set aside. Detailed work at selected sites identified that these non-compliance and calculation errors had accumulated overstatements of MRP of more than £10mn which could be reversed. Similar in-depth reviews can be incorporated within the 2013/14 audit programmes.



Regulation news

Pensions Regulator to have oversight of public sector pensions

The 2013 Public Service Pensions Act which received royal assent in April afforded the Pensions Regulator an enhanced role – broadening its remit to include oversight of public sector pensions from April 2015. It will set standards of governance and administration for public sector schemes in response to the Independent Public Service Pensions Commission's 2011 recommendations make improvements to both of these areas.

The schemes include approximately 22,000 employers and 12.6mn members (2012 figures taken from the Pensions Regulator website), and span Local Government, NHS, Police, Fire, Teachers, Civil Service, Armed Forces and Judicial pension schemes.

The Pensions Regulator has published a report, together with the supporting research, which documents current practice in these eight categories of public sector pension schemes.

The Pensions Regulator has promised to 'take action if necessary' to ensure public sector pension schemes are run to high standards following government reforms that will see it assuming oversight of the public sector.

Following the passage of the 2013 Public Service Pensions Act the regulator will set standards of governance and administration for public sector schemes from April 2015 including Police and Fire.

On September 6, the Pensions Regulator produced a report summarising current practice in eight categories of civil service pension schemes.

The survey of current schemes found room for improvement but also highlighted areas of good practice.

Local Government Pension Scheme findings:

- ▶ The survey noted that governance and administration had been on the agenda for these schemes for several years, and that this was evident in the survey findings, which demonstrated greater awareness of these matters.
- ▶ Ninety eight percent had a governance board in place. The majority of schemes also had a risk register in place, with risks and internal controls being reviewed at least annually; a conflict of interests policy and a register of members' interests.
- ▶ Eighty one percent of LGPS arrangements are administered in-house and the majority have service standards which are documented and reported against.
- ▶ LGPS schemes when compared the others in the survey had the most active member communication.

The Regulator is now working on producing code of practice as well as the regulatory strategy, and has plans to monitor and report on the progress of public sector schemes each year.



Regulation news

Local Government Pension Scheme Structural Reform

In addition to the review of investment regulations noted in the previous sector update, a wide ranging consultation was announced by Brandon Lewis MP (Minister for Local Government) in a speech at the National Association of Pension Funds local authority conference in May 2013. The consultation was launched by DLG and the LGA in June 2013 and aimed to identify reforms that will both improve investment performance and reduce fund management costs, in advance of the implementation of the new scheme in April 2014.

The consultation closed at the end of September, and the analysis of submissions is expected to inform a further consultation on options for change, which is to be released in early 2014.

At the same time, further detail has been provided about the proposed governance arrangements for the new LGPS in the DCLG discussion paper 'Local Government Pension Scheme (England and Wales) New Governance arrangements, also issued in June 2013.

The paper set out the proposed response to five specific sections of the Public Service Pensions Act 2013 which impact on the governance arrangements of the new scheme:

1. Responsible authority
2. Scheme manager
3. Pension board
4. Pension board information
5. Scheme Advisory board

The intention is for new regulations to be in place before April 2014, which will require new scheme advisory boards and local pension boards to become operational later in the year. In the intervening period between the commencement of the new LGPS scheme and the governing bodies becoming operational, existing governance arrangements under Section 101 of the Local Government Act 1972 will continue to apply.

This consultation closed at the end of August.



Find out more

To find out more on the articles above, please follow the links below:

Proposals for the use of capital receipts from asset sales to invest in reforming services

Full details can be found at:
<https://www.gov.uk/government/consultations/proposals-for-the-use-of-capital-receipts-from-asset-sales-to-invest-in-reforming-services>.

Economic outlook

For the full analysis go to:
<http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Audit Commission briefing on the Local Audit and Accountability Bill

The full briefing can be found at:
<http://www.audit-commission.gov.uk/2013/09/public-briefing-on-the-local-audit-and-accountability-bill/>

Minimum Revenue Provision

For more information, please see the DCLG guidance at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/11297/2089512.pdf
For more details on calculating MRP, please refer to Chapter 6 of the Practitioners' Guide to Capital Finance in Local Government (CIPFA 2008).

For details on incorporating a more in-depth review of MRP into your 2013/14 audit programmes, contact your audit team.

Pensions Regulator to have oversight of public sector pensions

For more information see the Pensions Regulator website at:
<http://www.thepensionsregulator.gov.uk/index.aspx>
and the civil service pension schemes report at:
<http://www.thepensionsregulator.gov.uk/docs/public-service-research-summary.pdf>

Local Government Pension Scheme Structural Reform:

For further detail on the consultation, and to view all available consultations and consultation outcomes within the Local Pension series please visit:
<https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/local-government-pensions>

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19 November 2013

Report of	Assistant Chief Executive	Author	Amanda Chidgey
Title	Work Programme 2013-14		 282227
Wards affected	Not applicable		

This report sets out the current Work Programme 2013-2014 for the Governance Committee.

1. Decisions Required

- 1.1 The Committee is asked to note the contents Committee's Work Programme for 2013-14.

2. Alternative options

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

3. Introduction

- 3.1 The Governance Committee deals with the approval of the Council's Statement of Accounts, audit, other miscellaneous regulatory matters and standards.
- 3.2 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.

4. Supporting Information

- 4.1 At the meeting of the Committee on 15 October 2013, it was agreed that the reports on the Annual Business Continuity and the Review of Pensions be rescheduled to the meeting in January 2014.

5. Strategic Plan References

- 5.1 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.

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 or risk management implications.

WORK PROGRAMME 2013-14

Meeting date / Agenda items
25 June 2013 (Chairman's briefing, 5.00pm, 20 June at Rowan House) <ol style="list-style-type: none">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 September at Rowan House) <ol style="list-style-type: none">1. Audited Annual Statement of Accounts (Finance Manager)2. Annual Governance Report (Ernst and Young)
15 October 2013 (Chairman's briefing 2.30pm 10 October at G7 Rowan House) <ol style="list-style-type: none">1. Publication of the Audited Statement of Accounts (Finance Manager)2. Update on Localism Act Provisions (Monitoring Officer)3. Local Government Ombudsman annual review (Monitoring Officer)4. Anti-Fraud and Corruption, Whistleblowing, Anti-Money Laundering and Benefits Fraud Sanctions Policies (Monitoring Officer)5. Local Code of Corporate Governance review (Monitoring Officer)
19 November 2013 (Chairman's briefing 2.30pm 12 November at G7 Rowan House) <ol style="list-style-type: none">1. 2. Annual Audit Letter (Ernst and Young)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, including 'recent issues' at the Shrub End Depot (Audit and Governance)5. Current recruitment policy for applicants related to staff employed by the Council (Assistant Chief Executive)
14 January 2014 (Chairman's briefing 2.30pm 9 January at G7 Rowan House) <ol style="list-style-type: none">1. Audit Opinion Plan (Ernst and Young)2. Grants and Certifications (Ernst and Young)3. Annual Business Continuity report (Risk and Resilience)4. Review of Pensions, including the current and future financial strain (Assistant Chief Executive)

19 November 2013

Report of	Assistant Chief Executive	Author	Hayley McGrath 508902
Title	Interim Review of the Annual Governance Statement Action Plan.		
Wards affected	Not applicable		

This report reviews the implementation of the actions highlighted on the Annual Governance Statement for 2012/13.

1. Actions Required

- 1.1 Consider and note the work undertaken to implement the current Annual Governance Statement action plan.

2. Reason for Scrutiny

- 2.1 Regulation 4(1) of the Accounts and Audit Regulations 2011 requires the council to ensure that it operates a sound system of internal control and to conduct an annual review of the effectiveness of its governance and internal control arrangements. The findings from this review, the Annual Governance Statement (AGS), must be signed by the Leader of the Council and the Chief Executive, reported to the Accounts and Regulatory Committee and published for public inspection. The regulations require the statement to be accompanied by an action plan for improving any issues identified.
- 2.2 The Annual Governance Statement for the 2012/13 financial year was reported to the Accounts and Regulatory Committee in June 2013. This included an action plan for issues to be resolved during the current financial year.
- 2.3 The CIPFA/SOLACE 'Good Governance' Guidance highlights that the annual governance review should be a robust ongoing assessment, not just an annual year end exercise. Therefore it is essential to ensure that governance issues are considered during the year and it was agreed that an interim report regarding progress against the action plan would be provided to this committee.

3. Key Messages

- There has been progress against all of the issues identified in the action plan.
- The audit of the final accounts for 2012/13 did not raise any concerns with the Annual Governance Statement or the action plan. Accordingly the statement was published for inspection.

4. Supporting Information

- 4.1 The issues that were included on the action plan have been discussed with the relevant lead officers, and the action plan has been updated with the progress made. The action plan is included at appendix 1.

4.2 The Council's joint services – Colchester & Ipswich Museum Service and The Parking Partnership – also issue governance statements. These are reported to, and monitored by, their respective committees but copies have been attached at appendices 2 and 3 for your information.

5. Proposals

5.1 To note and comment upon the Councils progress in implementing the current Annual Governance Statement action plan.

6. Strategic Plan Implications

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

7. Risk Management Implications

7.1 Risk Management is a fundamental part of the Governance process and a failure to implement the action plan may have an effect on the ability of the Council to control its risks.

8. Other Standard References

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

**Colchester Borough Council
Annual Governance Statement – Action Plan for 2013/14
Interim Review October 2013**

Significant Internal Control Issues – Relating to 2012/13 Financial Year

No.	Issue	Action	Due Date	Responsible Officer	Audit Update
1.	<p>Leisure World During the year the accountancy business partner highlighted an anomaly with some income for the Events service at Leisure World. This lead to further investigation which uncovered the loss of a significant sum of money over a period of time. A member of staff was dismissed as a result. During February 2013 an internal audit of Leisure World was carried out. 12 level 2, and 1 level 3, recommendations were made. This resulted in a limited assurance being given. Several of the recommendations related to the policies and procedures relating to cash handling and income processes.</p>	<p>Management have agreed the recommendations in the report and many are already implemented. These include:</p> <ul style="list-style-type: none"> • Reviewing policies and procedures • Record control • Updating information • Invoice monitoring • Monitoring hire income • Monitoring refunds • Stock control • Evidencing qualifications 	01 Oct 2013	Head of Operational Services	This is one of the managed audits, so will be followed up as part of the next review. The Customer Experience Manager has confirmed that they are making progress in completing the recommendations, although some are taking longer than envisaged (partly due to the new Gladstone system). We are assured that everything will be completed by the time of the next audit. The Head of Operational Services will need ensure that the situation is monitored.
2.	<p>Fuel Usage and Control The internal audit of fuel usage and control resulted in 7 level 1, and 6 level 2, recommendations. The issues highlighted covered areas including policies and procedures, receipting fuel, monitoring usage, dispensing fuel, use of fobs and use of fuel cards.</p>	<p>Management have agreed the recommendations in the report and these include improvements to:</p> <ul style="list-style-type: none"> • Policies and procedures • Recording of information • Inventory management • Monitoring and reconciling fuel usage • Management reporting 	31 Oct 2013	Head of Operational Services	This was followed up previously and a number of the recommendations have been implemented. There is still further work to complete.

No.	Issue	Action	Due Date	Responsible Officer	Update
3.	<p>Joint Museum Service An internal audit of the joint museum service was carried out in March 2013. This is currently in the draft report stage but has highlighted several medium/low priority issues relating to procedures, records, cash handling and stock control.</p>	<p>The recommendations in the report, that are agreed, will be implemented.</p>	31 Oct 2013	Head of Community Services	<p>This is also one of the managed audits, so would normally be followed up as part of the next review. However, it has been agreed with the Commercial and Business Manager that an early follow up will be undertaken, to check whether the processes are in place.</p>
4.	<p>Creditors This is one of the Council's key financial systems and received a limited assurance opinion when the internal audit was carried out in October 2012. The audit was limited due to changes in the external risk of fraud. The system has not changed but the risk of fraudulent creation of, or changes to, supplier details has become greater and the system has not been adapted to safeguard against this.</p>	<p>Management have agreed to introduce an independent check of new supplier details or requests to change bank account details.</p>	Sep 2013	Assistant Chief Executive	<p>An independent check is now carried out of verify new or changed details. The creditors audit is due to start 15/10/13, so it should be formally confirmed by the end of October, if the issue raised has been addressed.</p>
5.	<p>Contract Management The internal audit, carried out in August 2012, highlighted two level 1, and nine level 2, recommendations. The issues mainly relate to the actions of service areas failing to ensure that correct processes are followed.</p>	<p>It has been agreed that the following will be implemented:</p> <ul style="list-style-type: none"> • Training sessions to be provided • Amended guidance on procurement • Completion of the procurement toolkit • Monitoring of usage • Review of contract lettings • Completion and maintenance of records. 	01 Sep 2013	Assistant Chief Executive	<p>This is to be followed up as part of the Creditors audit above.</p>

**THE NORTH ESSEX PARKING PARTNERSHIP
ANNUAL GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013**

No.	Issue	Action
1.	<p><u>Parking Partnership Strategy</u></p> <p>The Parking Strategy and Development Plan 2009/10 outlines the 5 year parking strategy for the original partnership. Now that the revised partnership has been operating for two years it would be appropriate to review performance against the strategy and development plan to ensure that the partnership is still meeting its objectives and assess whether the strategy and plan is still appropriate for the NEPP.</p>	<p>A review of the Parking Strategy and Development Plan is to be undertaken. If it is decided that it is still appropriate for the NEPP then it will be reported to the Joint Parking Committee in March 2014.</p>
2.	<p><u>Business Plan</u></p> <p>The business plan for the partnership was drawn up in 2009/10 and was based on financial assumptions at that point in time. The economic climate has changed since then and the financial assumptions do not accurately reflect the current position.</p>	<p>As part of the formal review of the strategy a revised business plan is to be drawn up, based on the current financial, and performance, situation.</p>
3.	<p><u>Budget Monitoring</u></p> <p>Budgets are monitored as part of the financial processes of Colchester Borough Council and ad-hoc budgets reports have been provided to the partnership. However there is no formal reporting process set out for sharing financial information with the joint committee.</p>	<p>A formal reporting mechanism is to be implemented that ensures that financial information is reported to the joint committee in a standard format and on a regular basis.</p>

Appendix 3

Colchester & Ipswich Museum Service Annual Governance Statement – Action Plan for 2013/14 Significant Internal Control Issues – Relating to 2012/13 Financial Year

No.	Issue	Action	Due Date	Responsible Officer	How Issue was Identified
1.	<p>Management Agreement The management agreement has been in place for five years and parts of it are out of date. Significant issues are:</p> <ul style="list-style-type: none"> • The funding agreement • Identification of baseline services • Consideration of potential future opportunities • Specification of the JMS Managers role. 	<p>The agreement needs to be reviewed to ensure that it still accurately reflects the objectives of the service. Once the draft is completed it needs to be reported to the joint committee for approval, prior to being submitted to each Executive committee for adoption by each Authority.</p>	<p>Draft available by December 2013.</p>	<p>Co-ordinated by the JMS Manager</p>	<p>Annual governance review process.</p>
2.	<p>Regularisation of use of premises There is no formal agreement allowing Colchester Borough Council to use the Ipswich properties or vice versa. Also a franchisee using any of the properties, such as a provider of refreshments, would need to have a formal agreement from the Joint Service. Therefore it is recommended that a review of use/tenancy arrangements is carried out and use of the premises is regularised wherever necessary. This has been reported previously.</p>	<p>A review of the agreement to be carried out.</p>	<p>Draft available by December 2013.</p>	<p>Co-ordinated by the JMS Manager.</p>	<p>Annual governance review process.</p>
3.	<p>Audit of Admissions, Shop and Inventories An internal audit of the joint museum service was carried out in March 2013. This is currently in the draft report stage but has highlighted several medium/low priority issues relating to procedures, records, cash handling and stock control.</p>	<p>The recommendations in the report, that are agreed, will be implemented.</p>	<p>October 2013</p>	<p>Co-ordinated by the JMS Manager</p>	<p>Internal audit process</p>

19 November 2013

Report of	Assistant Chief Executive	Author	Hayley McGrath 508902
Title	Risk Management Progress Report		
Wards affected	Not applicable		

**This report concerns Risk Management activity between
April and September 2013**

1. Actions Required

- 1.1 To note and comment upon:
- The work undertaken during the period;
 - The strategic risk register

2. Reason for Scrutiny

- 2.1 The Risk Management Strategy, which forms part of the policy framework, identifies the Governance Committee as being responsible for reviewing the effectiveness of the risk management process and reporting critical items to cabinet as necessary.
- 2.2 Six monthly progress reports, detailing work undertaken and current issues, are provided to assist with this responsibility.

3. Key Messages

- A specific process has been implemented to manage the risks associated with the Council's change programme, alongside a review of the operational service risks to ensure that they support the programme objectives.
- The key risk continues to be the potential impact of future central government decisions to reduce public funding, including that of partners.

4. Supporting Information

- 4.1 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.
- 4.2 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 risks to the Council of specific initiatives.
- 4.3 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 affect service provision, such as proposals to change assessment processes. Strategic risks are owned by members of the Senior Management Team.

- 4.4 Operational risks are those that threaten the routine service delivery of the Council. Each service area has their own operational risk register that details the risks associated with providing the service. High risks and the success in controlling them are reported to Senior Management Team on a quarterly basis, as these assist in the formulation of the strategic risk register.
- 4.5 Project risks are those that relate solely to the successful delivery of that specific project. They tend to be quantifiable issues, such as resource or time related, and constantly change and develop over the course of the project as each stage is completed. The lead on the project is responsible for ensuring that there is an appropriate risk register and high level issues are reported to the senior management team.
- 4.6 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. There are insufficient resources to be able to reduce all risks - and in some cases it would not be cost effective. Therefore resources are more effectively targeted at the high, and in some cases medium, risks. Categorising an issue as 'high risk' indicates that it would have a fundamental effect on the Council, if it occurred, and therefore plans need to be put in place to either stop it happening or reducing the effect if it does. High risk does not mean that it has, or will definitely, occur.
- 4.7 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.

5. Work undertaken during the period

- 5.1 A risk management process has been agreed for the Council's change programme. The Risk and Resilience Manager has been working closely with the Enterprise Programme Management Office (EPMO) to create a standard approach to managing risk across the various projects. The EPMO will be responsible for co-ordinating the risk register and the Risk and Resilience Manager will monitor the risks to ensure that there is synergy with the corporate risk process. Specific risk management training for project managers is being currently being organised.
- 5.2 Following on from the last report to this panel in June 2013 the revised risk management strategy has been agreed by Cabinet and full Council, without amendment, and the policy framework has been updated accordingly.
- 5.3 The operational risk registers are being updated for all service areas to reflect the changes in the Council's operating structure. Workshops are being held with Group Management Teams to identify risks and controls, with a key emphasis being on supporting the objectives of the change programme.
- 5.4 The renewal of the Council's insurances took place on 01 August 2013 and earlier in the year the insurers had indicated that there would be a significant increase, in the region of £75k, in the public liability premiums, due mainly to subsidence claims. However the Council's Insurance Officer undertook a large scale exercise challenging the insurers on

old and dormant claims. This resulted in several old claims being closed off, and the increase in premiums being limited to just over £20k.

- 5.5 The renewal of the insurances in 2012 highlighted an issue with motor vehicle claims. As a result of this an action plan was put together to reduce the number of incidents. Work has progressed against the action plan during the year and the incident statistics show that since August 2012 the number of incidents has reduced by 19% (from 97 to 79).

6 Strategic Risk Register

- 6.1 The current strategic risk register is attached at appendix 1 with the score matrix attached at appendix 2. The register was reviewed by senior management on 22 October 2013.

7. Proposals

- 7.1 To note and comment upon the Councils progress and performance in managing risk during the period from April to September 2013.

8. Strategic Plan Implications

- 8.1 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.

9. Risk Management Implications

- 9.1 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.

10. Other Standard References

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

**Colchester Borough Council – Corporate Strategic Risk Register
October 2013 – January 2014**

1. AMBITION								
Specific Risks		SCORE						Consequence
		Current			Previous			
		P	I	O	P	I	O	
1a	In a period of public sector resource reductions the ability to have ambition and to deliver on that ambition.	3	2	6				Major changes needed to the town would not be delivered thus affecting the quality of life of its residents and businesses.
1b	Unrealistic internal and external expectations on the speed of delivery.	3	3	9				Major economic downturn in public sector resourcing over the next few years will hamper the speed of delivery across the services provided.
1c	The Council is unable to effectively influence changes in the Borough economy.	3	4	12				Poorer external assessments by independent agencies and loss of Council reputation.
1d	Over reliance on a limited number of people limits ability to deliver our ambition.	3	3	9				The Borough Council loses its status and influencing ability at sub-regional, regional and national levels.
1e	The resource implications, including ICT, staffing and financial, of the UCC FSR are greater than anticipated.	2	4	8				The review does not achieve its full potential and anticipated improvements are not realised, resulting in Customers not receiving an improved level of service or change behaviours.

ACTION PLAN – AMBITION		
Action	Owner	Review
Implement a regular reporting mechanism from the Strategic Change team to PMB that includes defined performance criteria.	Executive Director	January 2014
Produce an IT development strategy that supports the FSR process and outcomes. This should be reviewed and reported to PMB on a regular basis.	Chief Operating Officer	January 2014
Once the FSR changes are implemented a regular performance monitoring report should be produced assessing achievement of FSR objectives	Executive Director	January 2014
Carry out an impact assessment of staffing reductions.	Assistant Chief Executive	January 2014
The resourcing issues around the UCC FSR are managed by the UCC FSR risk register which covers ICT, Cultural Change, Financial and External risks. The UCC FSR risk register should be programmed into a formal reporting process to PMB and the Risk & Resilience Manager.	Executive Director	The register is reviewed by the implementation group monthly and by the project board bi-monthly.

2. CUSTOMERS								
Specific Risks		SCORE						Consequence
		Current			Previous			
		P	I	O	P	I	O	
2a	The increasing expectations of our customers, set alongside the financial challenges to service delivery will create challenges to service delivery, our channel shift ambitions and the reputation of the authority.	4	3	12				The Authority fails to deliver the standards of service and delivery which our customers expect, especially in relation to self service and the reliance on IT capabilities.
2b	The expectation remains that the Council will step in to deliver services when other providers either fail or reduce service provision	3	3	9	4	3	12	The Council suffers from a loss of reputation as customers' expectations are not met. There is increased demand on existing services leading to a reduction in standards of delivery

ACTION PLAN – CUSTOMERS

Action	Owner	Timing
An engagement and consultation programme is put in place, to ensure customers are able to inform service priorities and delivery and to secure the capability amongst our customers to drive our channel shift program. This will be evidenced by reporting the pattern of usage of the routes used by customers and savings achieved.	Executive Director	January 2014
The UCC environment, creating a single point of contact for our customers, is now in place and a performance framework for customer standards is being developed. The Customer Strategy, currently in progress, will provide more details about the actions.	Executive Director	January 2014

3. PEOPLE									
Specific Risks		SCORE						Consequence	
		Current			Previous				
		P	I	O	P	I	O		
3a	Unable to update skills at a time when we need a changing skill set to deliver in a different economic climate	3	3	9				Decline in service performance Disengaged and demotivated staff Efficiency and productivity reduction Inability to meet changing requirements and needs Customer perceptions decline as we deliver less Loss of key staff	
3b	Failure to sustain adequate resource to support Training and Development because of the financial situation	3	3	9					
3d	Failure to provide effective and visible political and managerial leadership.	3	3	9					
3e	Staff motivation declines with an impact on fundamental service reviews and implementation of other budget efficiencies	4	4	16					

ACTION PLAN – PEOPLE		
Action	Owner	Timing
Create an internal communications strategy for staff that specifies channels to be used and allows for staff to feed back.	Assistant Chief Executive	January 2014
Review and update the people strategy and set a regular review process..	Assistant Chief Executive	January 2014
Implement a formal training strategy that includes financial considerations and explores training alternatives.	Assistant Chief Executive	January 2014
Review the performance management process to ensure it is still appropriate and development needs are captured.	Assistant Chief Executive	January 2014
Review the Colchester Learning Managers programme to ensure that it is fit for purpose and adds value. Relaunch following review.	Assistant Chief Executive	January 2014
Create a formal training needs analysis to be completed at the implementation stage of an FSR.. Reflecting training and development needs to support changes in services.	Assistant Chief Executive	January 2014

4. HORIZON SCANNING

Specific Risks	SCORE						Consequence	
	Current			Previous				
	P	I	O	P	I	O		
4a	To continuously assess future challenges to ensure Council is fit for future purpose	2	4	8				<p>If not properly managed then either the Council will lose the opportunity to develop further or will have enforced changes to service delivery.</p> <p>Adverse impact on local residents / resources.</p> <p>Missed opportunities to boost local economy.</p> <p>Conflict between Council / Government agendas.</p> <p>Reduction in levels of service provision and potential withdrawal of services.</p>
4b	Not taking or creating opportunities to maximise the efficient delivery of services through shared provision, partnerships or commercial delivery	4	3	12				
4c	Failure by the Council to spot / influence at an early stage the direction of Central Government policies / new legislation.	3	3	9				
4d	Potential impact of future central government decisions to reduce public funding, including that of our partners	4	5	20				

ACTION PLAN – HORIZON SCANNING

Action	Owner	Timing
<p>Ensure organisational readiness to respond to external challenges through the Way We Work programme strands:</p> <ul style="list-style-type: none"> - People - Transformation - Customer Excellence - Leadership of Place 	Executive Director	January 2014
Review and report the Medium term Financial strategy	Chief Operating Officer	January 2014
Review and report the Organisational Development Strategy	Assistant Chief Executive	January 2014
The budget situation is under constant review, including the impact of decisions from central government. Additional actions and areas for spending reviews are being identified.	Chief Operating Officer	January 2014

5. PARTNERSHIPS									
Specific Risks		SCORE						Consequence	
		Current			Previous				
		P	I	O	P	I	O		
5a	Failure or inappropriate performance management of one or more strategic partnerships or key contracts E.g. Haven Gateway, Growth Cities Network, CAPITA, CBH	4	3	12				The cost of service delivery is increased however quality decreases. Failure to deliver key priorities. Reputational and financial loss by the Authority. Failure to deliver expected outcomes through partnerships	
5b	Change of direction / policy within key partner organisations and they revise input / withdraw from projects.	4	3	12				Requirement to repay external funding granted to partnership – taking on the liabilities of the ‘withdrawn’ partner. External assessment of the Councils partnerships are critical and score poorly.	
5c	Potential inability to agree shared outcomes/ agendas with partners and the Council’s ability to influence partner’s performance.	3	4	12					

ACTION PLAN – PARTNERSHIPS		
Action	Owner	Timing
Set an assessment process for proposed strategic partnerships (to ensure that they will satisfy the Council’s objectives) that needs to be signed off by EMT before commitment to new partnerships is made.	Executive Director	January 2014
Set a formal relationship / performance review process to be used by all partnerships and ensure results are reported to senior management..	Executive Director	January 2014
Carry out an annual assessment of partnerships and report to Senior Management Team for review, to ensure that they are still appropriate.	Executive Director	January 2014

6. ASSETS & RESOURCES									
Specific Risks		SCORE						Consequence	
		Current			Previous				
		P	I	o	P	I	o		
6a	Failure to protect public funds and resources – ineffective probity / monitoring systems	3	4	12				Service delivery failure	Financial and reputational loss by the Authority
6b	Risk that Asset Management is not fully linked to strategic priorities and not supported by appropriate resources	3	4	12				Personal liability of Officers and Members.	Legal actions against the Council
6c	Inability to deliver the budget strategy in the current economic climate	3	4	12				Loss of stakeholder confidence in the Borough	Inability to sustain costs
6d	Failure to set aside sufficient capital funds for strategic priorities	3	4	12				Failure to deliver a balanced budget	Required to use Reserves & Resources to fund services and capital priorities
6e	Increased risk to ICT resilience with migration to new supplier and ever increasing demands around information security	2	5	10				Severe impact on cash-flow leading to negative effect on performance targets	

ACTION PLAN – ASSETS & RESOURCES

Action	Owner	Timing
Develop a formal process to manage the assurance systems that form the internal control environment, including Internal Audit, Risk Management, Budget process, Corporate Governance and performance management. This must be reported to senior officers and members on a regular basis to ensure that it is fully embedded	Chief Operating Officer	There is cycle of reviewing and reporting including internal Audit, Risk management and the AGS Review January 2014
Review the budget monitoring process to reflect the new structure and co-ordinates finances across the whole Council not just individual service areas	Chief Operating Officer	Regular reporting to PMB. & FASP. Review January 2014
Develop the annual budget strategy to ensure it has controls built in to be able to respond to changes in the strategic objectives and is innovative to reflect the current climate and emerging options	Chief Operating Officer	Annual exercise. Council approves budget in Feb 2014
Implement a regular review process for the medium term financial outlook and capital programme processes to ensure they are kept up to date and realistic.	Chief Operating Officer	MTFS is part of the budget strategy & considered during the process. Capital programme reported to FASP quarterly Review January 2014
Review the IT security policies to ensure that they are fit for purpose and implement a training program for all staff.	Assistant Chief Executive	From beginning of new contract and ongoing. Next review January 2014

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

RISK MATRIX OCTOBER 2013

Low Risks	Medium Risks	High Risks
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Scoring 1-5

Risk Tolerance Line

Probability of Occurrence	5 Very High					
	4 High			2a 4b 5a 5b	3e	4d
	3 Medium		1a	1b 1d 2b 3a 3b 3d 4c	1c 5c 6a 6b 6c 6d	
	2 Low				1e 4a	6e
	1 Very Low					
		1 Very Low	2 Low	3 Medium	4 High	5 Very high
		Severity of Impact				

Removed Risks

3c

Declining number of staff affects our capacity and impacts on our ambitions
Removed Qtr 1 2012/13

19 November 2013

Report of	Assistant Chief Executive	Author	Elfreda Walker
Title	Mid Year Internal Audit Assurance Report 2013/14		
Wards affected	Not applicable		

This report summarises the performance of internal audit during the first half of 2013/14, details the internal audit work undertaken and sets out the proposed internal audit work programme for 2014/15 – 2015/16.

1. Decisions Required

1.1 To note and comment on:

- Internal audit activity for the period 1st April 2013 – 30th September 2013
- Performance of internal audit by reference to national best practice benchmarks
- The proposed internal audit work programme;

2. Reasons for Decision

- 2.1 The Accounts and Audit Regulations 2006 require that ‘a relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices’.
- 2.2 Internal audit is a key element of the Council’s corporate governance framework. Robust implementation of audit recommendations gives assurance to members and management that services are operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards.

3. Key Messages

- The Council continued to provide an effective internal audit service during the first half of the 2013/14 financial year.
- No recommendations were raised in relation to the Asset Register audit.
- The assurance ratings for the Parking Partnership and the Retention of Crucial Documents audits have improved from ‘Limited’ to ‘Substantial’.
- 15 priority 1, 75 priority 2 and 24 priority 3 recommendations have been made. One recommendation in relation to IT Hardware Asset Management was not agreed.
- There continues to be good progress made in implementing and verifying outstanding recommendations.

4. Supporting Information

4.1 This report has been designed to show:

- Summary information concerning audits finalised in the period receiving a 'Full' or 'Substantial' assurance rating and more detailed information on those audits receiving a 'Limited' or 'No' assurance rating. Please see **Appendix 1** for a key to assurance levels
- The effectiveness of the Internal Audit provider in delivering the service.

4.2 Using a risk-based approach, Internal Audit generates reports for all audits, with recommendations to improve the effectiveness of the internal control framework and maximise potential for service improvement across the Council. The audit plan consists of a mix of regularity, systems and probity audits.

5. Internal Audit Performance

5.1 Summary of Audits Finalised During the Period

During the period a total of 18 audits have been finalised. The assurance rating improved in 3 (19%) of the audits carried out, remained the same in 12 (75%) and declined in 1 (6%).

Audit	Assurance Level	Change in Level	Priority of Recommendations			Agreed
			1	2	3	
732 – Museums Merged Service	Limited	▼	0	7	2	9
733 – Parking Services Partnership	Substantial	▲	0	4	2	6
735 – Holly Trees / NHM Site Cash Up	Regularity	N/A	0	2	1	3
736 – Disabled Facility Grant	Limited First Audit	▶	2	12	1	15
801 – HMO Licences	Substantial First Audit	▶	0	5	0	5
802 – Retention of Crucial Records	Substantial	▲	0	5	2	7
803 – Security of Premises	Substantial	▶	0	4	0	4
804 – Management of Expenditure	Regularity	N/A	0	3	0	3
806 – Emergency Planning	Substantial	▶	0	2	2	4
807 – Licensing – Night Time Economy	Substantial First Audit	▶	0	4	4	8
808 – Waste Management	No First Audit	▶	13	12	2	27
810 – IT Hardware Asset Management	Substantial First Audit	▶	0	4	4	7
814 – Mutual Exchange and Choice Based Lettings	Substantial	▶	0	1	0	1
815 – Feed-In Tariffs	Substantial First Audit	▶	0	1	0	1
817 – Visitor Information Centre	Substantial	▶	0	4	3	7
819 – Leisure World Site Cash Up	Regularity Substantial	▶	0	4	0	4
822 – Asset Register	Full	▲	0	0	0	0
831 – Treasury Management	Substantial	▶	0	1	1	2

One Priority 2 recommendation from the Hardware Asset Management audit has not been agreed by Management. It was recommended that Management should define and document a Hardware Asset Refresh Strategy as well as having a set of standards for assets deemed to be beyond economic repair. Management felt that a formal strategy was not required as assets are used until they are of no further value. If and when there is an upgrade to operating systems requiring a mass upgrade, then the process will be developed as part of the project plan. As a result Management was willing to accept the risk of not having a formal refresh strategy.

Please see **Appendix 2** for a summary of the audits receiving a 'Limited' or 'No' assurance rating. This includes the Waste Management audit as highlighted at a previous Governance Committee. Further investigations have taken place into the issues highlighted in the internal audit report and the concerns raised by members. A report on the findings is currently being considered by management and the results will be shared with the Governance Committee in due course.

5.2 Use of Audit Resources:

	Days	%
Audit days delivered April - September	168	44%
Audit days remaining	213	56%
	381	100%

6. Status of all recommendations as at 30th September 2013:

- 6.1 Following the completion of each audit, a report is issued to management, incorporating recommendations for improvement in controls and management's response to those recommendations.
- 6.2 The table below provides a breakdown of the outstanding recommendations as at the 30th September 2013.

	Outstanding Recommendations That Are:			
Date	Implemented & Verified	Awaiting Verification	Not Due	Overdue
30/09/13	45	65	46	0

- 6.3 During the period internal audit have been monitoring 155 recommendations. At the end of the period 45 recommendations (29%) had been implemented and verified, 64 (41%) had been implemented and were awaiting verification from internal audit 46 (30%) were not due. 20 of the recommendations awaiting verification relate to managed audits and in accordance with the agreed protocol will be followed up at the time of the next annual audit.
- 6.4 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. Progress will continue to be reported to the panel.

7. Performance of Internal Audit 2013/14 to date – Key Performance Indicators (KPIs):

KPI	Target	Actual
Efficiency:		
Percentage of annual plan completed (to at least draft report stage)	50%	38%
Average days between exit meeting and issue of draft report	10 max	6
Average days between receipt of management response and issue of final report	10 max	1
Quality:		
Meets CIPFA Code of Practice – per Audit Commission	Positive	Positive
Results of Client Satisfaction Questionnaires (Score out of 10)	7.8	9.1
Percentage of all recommendations agreed	96%	99%

7.1 The key performance indicators show that the internal audit provider is successfully meeting or exceeding the majority of standards. One target that has not been met is the percentage of annual plan completed, and is primarily due to the profiling of the audit plan, which is weighted towards quarters 3 and 4 when the key financial audits are undertaken.

8. Internal Audit Work programme

8.1 The current internal audit contract was let for three years in 2010 with an option to extend for a further three years. During 2012/13 a one year extension was agreed to cover the current financial year. A further two year extension has recently been agreed and an internal audit work programme to cover this period is attached at **Appendix 3**.

8.2 The programme shows the work required to enable internal audit to:

- Provide a reasonable level of assurance on the internal control environment, which comprises risk management, control and governance processes
- Support the completion of the Annual Governance Statement
- Comply with the requirements of the Public Sector Internal Audit Standards
- Cover the key financial systems to a level that meets the requirements of the external auditors (managed audits).

8.3 The fundamental role of internal audit is to provide the Committee and senior management with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control, and to report weaknesses together with recommendations for improvement. This is achieved by carrying out appropriate internal audit work, normally in accordance with a work programme approved by Senior Management and Members.

9. Colchester Borough Homes Limited

9.1 Colchester Borough Homes Limited has its own agreed audit plan which is administered by Deloitte and Touche Public Sector Internal Audit Limited, who are also the Council's auditors. The coverage of the plan, and the scope of the audits, is decided by Colchester Borough Homes Limited and in general the audits do not affect the systems operated by the Council.

9.2 However, there are a few audits that, whilst they are carried out for either Colchester Borough Homes Limited or the Council, have a direct relevance and

impact on the other organisation and in these circumstances it is appropriate that the results of the audit are reported to both organisations. These are known as joint audits.

9.3 There have not been any joint audits carried out during the period.

10. Proposals

- 10.1 To note and comment upon the Council's progress and performance relating to:
- Internal Audit activity during the first half of 2013/14
 - Performance of Internal Audit by reference to national best practice benchmarks
 - The proposed internal audit work programme

11. Strategic Plan Implications

- 11.1 The audit plan has been set with due regard to the identified key strategic risks to the Council. The strategic risk register reflects the objectives of the strategic plan. Therefore, the audit work confirms the effectiveness of the processes required to achieve the strategic objectives.

12. Risk Management Implications

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

13. Other Standard References

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

Key to Assurance Levels

Assurance Gradings

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

Assurance Level	Evaluation and Testing Conclusion
Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
No	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Recommendation Gradings

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

Priority Level	Staff Consulted
1	Major issue for the attention of senior management and the Governance Committee.
2	Important issues to be addressed by management in their areas of responsibility
3	Minor issues resolved on site with local management.

Summary of Audits with a Limited or No Assurance Rating:

732 – Museums Merged Services	Days	Assurance Limited	Priority of Recommendations			Agreed
			1	2	3	
	20		0	7	2	9

Scope of Audit: This review examined the following areas:

- Policies and Procedures;
- Banking and Accounting for Income;
- Security of Keys;
- Maintenance of Inventories;
- Stock Control; and
- Insurance Arrangements.

Key Outcomes: The recommendations resulting from this review are summarised as follows:

- Documented procedure documents should be annotated with a set date for the next review. In addition the procedures review spreadsheet should be updated to include future dates for procedure review, and compliance against the timescales, monitored. (3)
- Staff should check that the amount received by the Cash Office, as confirmed on the receipt provided, corresponds to the amount recorded on local banking records and sign the receipt as evidence of this check. (2)
- Staff should be reminded that two signatures should be annotated on the till receipt when processing refunds and this should be retained on file. (2)
- The officer carrying out the annual review of the key register should sign against each entry as evidence of the check. In addition, an annual review of keys held at the in Ipswich Museum, should also be undertaken. (3)
- A record of keys held in the key safe at Colchester should be maintained. (2)
- Staff should ensure that inventory entry and forms are fully completed and retained on file. (2)
- Staff should ensure that all new artefacts are added to the Accessions Database in a timely manner. (2)
- Arrangements should be made for checks of retail stock to be carried out at monthly intervals on a rolling basis, with evidence of the stock checks being retained. (2)
- Manual records of stock transfers should be created and maintained pending the installation of the EPOS at the Ipswich sites. (2)

736 – Disabled Facility Grant	Days	Assurance Limited	Priority of Recommendations			Agreed
			1	2	3	
	12		2	12	1	15

Please note: - The Disabled Facility Grant functions are carried out by a Partner Organisation on behalf of Colchester Borough Council. The audit work focused primarily on the Partners controls and how they process applications on behalf of Colchester Borough Council.

Scope of Audit: This review examined the following areas:

- Policies and Procedures;
- Supplier Lists;
- Tenders;
- Compliance with Contract Procedure Rules;
- Retention of Documentation; and
- Sign-Off of Work.

Key Outcomes: The recommendations resulting from this review are summarised as follows:

- Consideration should be given to obtaining assurance from the Partner Organisation that internal procedures are up to date, in line with current working practices and also subject to regular review. (3)
- The Tender Record Forms (tender register) should be bound to prevent pages being added or removed. (2)
- Where tenders are received which appear to have been opened and/or resealed, the officers receiving the post should annotate the envelope accordingly and sign the envelope in confirmation. (1)
- Tender Record Forms should be fully completed. (2)
- Bids should be date stamped and signed by the officers involved in the tender opening process. (2)
- Tender return envelopes should be date stamped with the date that they are received. (2)
- Bids received after the submission deadline, should be rejected and the contractor advised of the reason. (2)
- Consideration should be given as to whether the Council should undertake a further review of cases where the formal tender requirements (date stamping / signing) has not been fully complied with. (1)
- Consideration should be given to standardising the file structure (content sections, indexing etc.). (2)
- Management should undertake sample checking of all files to confirm that all requirements have been complied with and appropriate documents obtained. Additional sample checking of case workers files should also be undertaken where issues are identified. (2)
- All works costings should be checked for accuracy. (2)
- Contractors should not be advised that they have been awarded work until formal confirmation is received from the Council. (2)
- All changes to agreed work as a result of unforeseen circumstances should be formally agreed in advance where possible. Where the decision is time critical, email evidence should be retained on file. Consideration should also be given to reviewing all cases where changes to work have been identified to confirm that they were agreed in advance and they were unforeseen work. (2)
- Cost of work (including unforeseen) should be independently checked by an officer with the appropriate knowledge and experience to confirm that the amounts are realistic. (2)
- Contractors should be advised immediately where it is deemed by the Council that part of the work is not required to be undertaken. Evidence of this notification should be retained on the client file as evidence. (2)

808 – Waste Management	Days	Assurance	Priority of Recommendations			Agreed
			1	2	3	
	20	No	13	12	2	27

Scope of Audit: This review examined the following areas:

- Service Provision and Complaints Procedure;
- Management Information;
- Stock Control;
- Special Collections;
- Contracts/Agreements held for Trade Waste Customers/Contractors;
- Raising of Invoices and Debt Recovery; and
- Budgetary Control Procedures

Key Outcomes: The recommendations resulting from this review are summarised as follows:

- Management should monitor complaints regarding the Waste Management function, and ensure that all complaints are dealt with within the designated time limit. Where issues cannot be resolved within the agreed timescale, the customer should be contacted and provided within an update. (2)
- All resolved complaints cases should be closed on the Case Tracker system. (3)
- All completed missed collection forms should be sent to the PSU to help ensure that all cases are resolved and the collections made. (3)

- A reconciliation spreadsheet should be created for all recycling stock (green boxes, garden sacks, clear sacks etc.). Reconciliations should then be undertaken between the actual stock held at the Depot and the stock received / issued. (2)
- Reconciliation results for the recycling stock should be reported to management on a regular basis with any large variances investigated. (2)
- Stock checks of all protective equipment should be undertaken on a regular basis. In addition, a reconciliation spreadsheet should be created for protective equipment stock. Reconciliations should be undertaken between actual stock held at the Depot and the stock received / issued. (2)
- Reconciliation results for personal protective equipment (PPE) should be reported to management on a regular basis with any large variances investigated. (2)
- Stores and Requisitions forms should be signed by the recipient. Segregation should also be maintained between the person requisitioning the items and the officer issuing them. (2)
- A reconciliation spreadsheet should be created for recycling stock held at the CSC. Reconciliations should be undertaken between actual stock held at the CSC and the stock received / sold with income collected or an explanation as to why the customer was not charged. A column should be included in the spreadsheet to monitor all variances with any significant differences flagged. (2)
- A review of the Trade Waste Agreements should be completed to ensure that they are held on file in all current customers and that the dates for each of the Trade Waste Agreements have been entered onto the Trade Bin monitoring spreadsheet. Consideration should also be given to placing old versions of the Trade Waste Agreements in a separate file, so that the file only contains relevant records relating to current customers (1)
- A periodic check should be completed to confirm that trade customers included on the Trade Bin spreadsheet are still valid. Reconciliations should also be carried out between the Trade Bins spreadsheet and the Trade Waste spreadsheet to ensure that all customers are included on both, and that details for each customer matches. (2)
- The Trade Waste Customer monitoring spreadsheet should be completed to evidence where efforts have been made to chase the return of Duty of Care Forms. (2)
- The Council should ensure that it has contracts in place for all contractors and that they have been let in accordance with Council policy. (1)
- The Council should ensure that contracts and/or service level agreements (SLA) are in place for all bring site contractors to ensure that services provided are in-line with Council requirements. (1)
- In developing contracts the Council should ensure that the process for calculating and monitoring charge rates for recyclable material is included, and agreed by both parties. (1)
- Consideration should be given to whether prices for recyclable materials can be linked to indices such as the Waste and Resources Action Programme (WRAP). (2)
- Rather than using the vehicle's pre-set weights, which do not take into account the weight of fuel carried, all vehicles entering and leaving the Depot should be weighed in / out so as to obtain accurate load weights. (1)
- Management should give consideration as to whether the Ethernet cable from the weighbridge can be repaired, or alternatively whether weighbridge data can be obtained using a wireless connection. (1)
- All weighbridge tickets from both the contractors and the Depot should be located in order to ensure a complete audit trail is in place. The weighbridge tickets should be entered into the spreadsheets to help ensure that the Council can claim any outstanding monies due. (1)
- The Credit Claim spreadsheet should be expanded to include weighbridge information from vehicles entering the Depot to drop off materials. (1)
- Weighbridge tickets from both the Depot and the contractor should be used to populate the Credit Claim spreadsheet. (1)
- Periodic checks should be undertaken to confirm that trade waste is only being collected from current customers and that they are being invoiced for services provided. Invoices should be raised for all customers who have not been charged for collections. In addition, automatic billing should be set up where relevant to enable invoices to be raised and income collected. (1)
- A full reconciliation should be completed between the properties from which collections are made, the Trade Waste Spreadsheet and the debtor accounts raised. Periodic checks should then be undertaken in the future to confirm that trade waste customers are being invoiced for services in accordance with their Trade Waste Agreement. (1)
- Invoices should be raised on a monthly basis in respect of all recyclable materials collected by or delivered to contractors. (1)
- Invoices should contain full details of the service provided / received, including where appropriate: period covered; tonnage; type of material etc. (1)

- Management should investigate what services are being provided by external contractors to help ensure that it is receiving the benefit either in the form of recycling credit or the value of recyclable materials. (2)
- Management should undertake a review of which vehicles are hired from an external contractor and whether they are currently used by the Council. The Fleet List spreadsheet should also be updated to include accurate amounts for how much the Council is paying per vehicle. (2)

Proposed Internal Audit Work Programme 2014/15 - 2015/16

Audit Area	2014/15	2015/16	Managed Audit / A.G.S
Cross Cutting			
Site Cash Ups	3	3	✓
Corporate Governance & Scrutiny		10	✓
Single Data Set	5	5	✓
Corporate & Financial Management			
Contract Management Audits	25	15	
Health and Safety		5	
Payroll	10	5	✓
Performance Management of Staff		10	
Sickness/Leave/Flex Absence & Flexible Working		12	
Members & Officers Expenses	10		
Registers of Interests, Gifts and Hospitality			
Creditors (including cheque control)	5	7	✓
General Ledger	5	5	✓
Managing the Risk of Fraud	10		
Risk Management	5	8	✓
Treasury Management	5	8	✓
Procurement (including purchasing cards).	12		
Income	15		
General IT - (to be allocated)	25	25	
Freedom of Information	7		
Budgetary Control	15		
Accounting for Commercial Activities		10	
Commercial			
CCTV		7	
Commercial and Investment Property	10		
Building Control Fees		10	
Cemetery and Crematorium	10		
Housing Rents (shared audit with CBH)	5	5	✓
Management of Expenditure CBH		8	✓
Homelessness / Housing Needs Register	10		
S106 Monies		10	
Commercial Activities		15	
Community			
Museums - Merged Services inc. Admissions, Shops and Inventories	12	12	✓
Zone Working		10	
Lion Walk Activity Centre	8		✓
Highwoods Country Park	8		

Proposed Internal Audit Work Programme 2014/15 - 2015/16

Audit Area	2014/15	2015/16	Managed Audit / A.G.S
Customer Services			
Debtors	5	5	✓
Corporate Debt (including bailiffs)	10		
Cash Collection Procedures	6	6	✓
Council Tax	5	5	✓
Housing Benefit / Local Tax Support Scheme	12	12	✓
Housing Benefit / Local Tax Support Fraud	8		✓
Housing Benefit Overpayments		8	✓
NNDR / Business Rates	5	5	✓
Welfare Rights		8	
Discretionary Housing Payments & Exceptional Hardship Payments		8	
Operational			
Fuel Usage	10		
Parking Services Income / Partnership	18	15	✓
Waste Management		5	
Leisure World - Core functions, includes joint use centres	10	10	✓
Leisure World - Other - inc Events, Spa, memberships, staff bonus scheme		10	
Professional Services			
Food Control		8	
Animal / Pest Control		10	
Planning Fees	12		
Corporate PSU / Management Arrangements		15	
Private Sector Housing - Financial Assistance - DFG	10		
Follow Up of Recommendations	15	15	
Contingency	3	-1	
Risk Mapping and Management of Contract	35	35	

Total No. of Days

384

384

19 November 2013

Report of	Assistant Chief Executive	Author	Jessica Douglas ☎ 282239
Title	Recruitment Policy for Applicants Related to Staff Employed by the Council		
Wards affected	'Not applicable'		

This report concerns the recruitment policy for applicants related to staff employed by the Council.

1. Decision(s) Required

1.1 Governance Committee to note the contents of the report.

2. Reasons for Decision(s)

2.1 The Governance Committee requested that the Human Resources Manager presents a paper to the November meeting on the Council's current policy regarding recruitment procedures and processes for job applicants who are related to staff already employed by the Council, especially where the vacancy is within the service area where the relation is employed."

3. Alternative Options

3.1 No alternative options provided.

4. Supporting Information

4.1 This purpose of this report is to provide the Committee with information on the Council's current policy regarding recruitment procedures and processes for job applicants who are related to staff already employed by the Council, especially where the vacancy is within the service area where the relation is employed.

4.2 There are two Council policies that refer specifically to the employment of staff who are related; the Code of Conduct for Staff and the Personal Relationships at Work Policy. There are four sections in the Code of Conduct which specifically refer to personal relationships as follows:

S 2.2 The Council does not attempt to impose restrictions on personal relationships between employees, however it is important that any relationships does not have a detrimental effect on colleagues or the performance of teams. Where such personal relationships occur which could potentially impact or perceived to be so, then staff should declare this to their manager who will deal with this in a sensitive and confidential manner.

S 2.3 In order to avoid a situation in which an employee has managerial authority over another with whom he/she is having a close personal relationship, the Council reserves the right to elect to transfer one or both of the employees involved in the

relationship to a job in another department/section. In these circumstances, the Council will consult both of the employees and seek to reach a satisfactory agreement regarding the transfer of one or both of them.

S 6.1 If you are involved in any employment matter concerning another employee you must always ensure you treat all employees equally.

S 6.2 You should not involve yourself in any employment matter where there could be any suggestion that you have acted improperly either because you are related to the person concerned or have a personal relationship with them inside or outside work.

4.3 The Personal Relationships at Work Policy was introduced in July 2008 following concerns that there were several cases of related staff working within the same team and in some cases within the management line and it was felt a policy was needed to give some guidance to employees and managers. Many of these relationships were historical and the working relationship had been in place for many years and generally colleagues were aware and the situation was managed sensitively and effectively. It was perhaps more problematic in the very few examples where there was also a line management relationship. Often colleagues referred to the relationship and indicated they were uncomfortable with the situation.

4.4 For the purposes of this report the following relevant paragraphs of the Relationships at Work Policy have been extracted:

1. Introduction

It is recognised that a significant proportion of close personal relationships are formed at work. As a large employer, situations arise within the Council where relatives could be employed within the same team, service or work area. Such situations can have the potential for issues around conflict of interest. Equally even if this does not occur there are important perceptions to be considered by other employees.

The Council needs to avoid any possible conflict of interest or accusation of bias, favouritism or prejudice. The implications of close personal relationships at work can include: affect on the trust and confidence of colleagues in relation to a conflict of interest, fair treatment, their own ability to discuss issues openly within a team or with their line manager; perception of service users or the general public in relation to the professionalism and fairness of the Council, its employees and Councillors; operational issues affecting the ability to deliver the service effectively; conflicting loyalties and breach of confidentiality and trust.

3. Recruitment & Selection

All applicants are required to disclose on the application form if they:

- are a relative or partner of; or
- have a close personal relationship with any employee of the Council and/or Councillor.

It is essential that, to avoid any accusation of bias, employees and/or Councillors must not be involved in any appointment where they are a relative or partner of, or have a close personal relationship with the individual being considered for appointment.

It is **not** recommended that any new appointment is made where an applicant would be reporting directly to someone they have a close personal relationship with. You must consider the implications of team members with a close personal relationship working in the same area. Please seek further advice from Human Resources if the situation arises.

- 4.5 Both the Code of Conduct and the Relationships at Work Policy acknowledge that relationships at work will always exist but both provide clear guidance on how these relationships, recruitment and employment matters between the two parties should be managed in order to avoid conflicts of interest.

5. Standard References

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

6. Equality, Diversity and Human Rights implications

- 6.1 Equality Impact Assessments (EQIAs) have been carried out in relation to the council's Personal Relationship at Work Policy and the council's Constitution, which includes the Code of Conduct for Staff. These are available on the Council's website [here](#) and [here](#):

[EQIA to Relationships at Work](#)

[EQIA for Constitution](#)

