

Accounts and Regulatory Committee

**Old Library, Town Hall
28 June 2011 at 6.00pm**

This committee deals with items such as the approval of the Council's Statement of Accounts, hearing and determining all appeals by employees relating to dismissal, and makes recommendations to the Council on functions such as Health and Safety and Elections.

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COLCHESTER BOROUGH COUNCIL
ACCOUNTS AND REGULATORY COMMITTEE
28 June 2011 at 6:00pm

Members

Chairman : Councillor Sue Lissimore.
Deputy Chairman : Councillor Will Quince.
Councillors Michael Lilley, Jon Manning, Gerard Oxford,
Mark Cory, Annie Feltham, Scott Greenhill, Pauline Hazell
and Justin Knight.

Substitute Members : All members of the 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 off or to silent;
- 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 personal

interests they may have in the items on the agenda.

If the personal interest arises because of a Councillor's membership of or position of control or management on:

- any body to which the Councillor has been appointed or nominated by the Council; or
- another public body

then the interest need only be declared if the Councillor intends to speak on that item.

If a Councillor declares a personal interest they must also consider whether they have a prejudicial interest. If they have a prejudicial interest they must leave the room for that item.

If a Councillor wishes to make representations on an item on which they have a prejudicial interest they may do so if members of the public are allowed to make representations. In such circumstances a Councillor must leave the room immediately once they have finished speaking.

An interest is considered to be prejudicial if a member of the public with knowledge of the relevant facts would reasonably regard it as so significant that it is likely to prejudice the Councillor's judgement of the public interest.

Councillors should consult paragraph 7 of the Meetings General Procedure Rules for further guidance.

5. Minutes

1 - 3

a) To confirm as a correct record the minutes of the meeting held on 22 February 2011.

b) To confirm as a correct record the minutes of the meeting held on 18 May 2011.

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. Stanway Community Governance Review** **4 - 10**
See report from the Head of Resource Management.
- 8. Annual Statement of Accounts 2010/11 - Revised Procedures** **11 - 12**
See report from the Head of Resource Management.
- 9. Annual review of the Governance Framework and 2010-11 Statement** **13 - 28**
See report from the Head of Resource Management.
- 10. Audit Fee Letter** **29 - 33**
See report from the Audit Commission.
- 11. Exclusion of the public**
In accordance with Section 100A(4) of the Local Government Act 1972 and in accordance with The Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 (as amended) 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).

ACCOUNTS AND REGULATORY COMMITTEE

22 FEBRUARY 2011

Present :- Councillor Dennis Willetts (Chairman)
Councillors Nick Cope, Scott Greenhill, Sue Lissimore,
Jon Manning, Colin Mudie, Kim Naish, Gerard Oxford
and Colin Sykes

Substitute Member :- Councillor Jackie Maclean
for Councillor Christopher Arnold

Also in Attendance :- Councillor Paul Smith
Councillor Tim Young
Councillor Anne Turrell
Councillor Beverley Oxford

17. Minutes

The minutes of the meeting held on 19 October 2010 were confirmed as a correct record.

Councillor Nick Cope (in respect of being a neighbour of Christopher Hall) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

18. Honorary Alderman

The Committee was requested to consider a proposition that former Councillor Chris Hall be appointed an Honorary Alderman.

The Committee was also requested to recommend that a special meeting of the Council be convened for the purpose of passing the following resolution:

- i) That in pursuance of the provisions of Section 249 of the Local Government Act 1972, this Council confers the title of "Honorary Alderman" on former Councillor Christopher Basil Hall in recognition of his loyal and eminent service as a Member of the Council and its constituent authority.
- ii) An illuminated transcript of the resolution is given to former Councillor Christopher Basil Hall.

Councillor Manning addressed the Panel and paid tribute to former Councillor Hall who he first met at a group meeting. Councillor Manning said former Councillor Hall had always been someone respected by Councillors and would meet all the requirements of an Honorary Alderman. Councillor Manning said he could not think of anyone more deserving of this award and supported the proposition. Councillor Cope concurred with Councillor Manning's comments and also supported the proposition.

RESOLVED that the Committee recommended to the Council the following:-

i) That a special meeting of the Council be convened for the purpose of passing the following resolution:

That in pursuance of the provisions of Section 249 of the Local Government Act 1972, this Council confers the title of “Honorary Alderman” on former Councillor Christopher Basil Hall in recognition of his loyal and eminent service as Member of the Council and its constituent authority

(ii) An illuminated transcript of the resolution is given to former Councillor Christopher Basil Hall.

Councillor Scott Greenhill (in respect of his membership of Myland Parish Council) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

Councillor Colin Sykes (in respect of his membership of Stanway Parish Council) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

19. Request for a Community Governance Review

The report concerned a request from Stanway Parish Council for the Council to undertake a Community Governance Review with a view to combining the two electoral parish wards of Stanway East and Stanway West and create one electoral area represented by fifteen Councillors (currently split 13 and 2 respectively).

Councillor Sykes, a Member of Stanway Parish Council addressed the Panel saying undertaking a review was first considered in the summer of 2010 following similar requests from the Wivenhoe and Fordham Parishes.

It was acknowledged that Councillors in West Stanway had not seen their parish ward issues increase because the anticipated development within West Stanway had not materialised. That said, all the Parish Councillors / Co-opted Members within the Stanway Parish did not work independently, or view themselves as representing either Stanway East or Stanway West, but carried out their duties for all the residents of the Stanway Parish.

Councillor Sykes asked the Committee to support the request for this Community Governance Review.

RESOLVED that the Committee considered and agreed to the draft proposal for the consultation following the request from Stanway Parish Council to combine the two parish wards and create on electoral area.

ACCOUNTS AND REGULATORY COMMITTEE
18 MAY 2011

Present :- Councillor Sue Lissimore (Chairman)
Councillors Mark Cory, Annie Feltham, Scott Greenhill,
Pauline Hazell, Justin Knight, Michael Lilley,
Jon Manning, Gerard Oxford and Will Quince

1. Chairman

RESOLVED that Councillor Lissimore be appointed Chairman for the ensuing Municipal Year.

2. Deputy Chairman

RESOLVED that Councillor Quince be appointed Deputy Chairman for the ensuing Municipal Year.

28 June 2011

Report of	Head of Corporate Management	Author	Sarah Cheek
Title	Draft Recommendation Community Governance Review Stanway Parish Council		
Wards affected	Stanway and Copford & West Stanway wards		

This report concerns a request from Stanway Parish Council to combine the two parish wards and create one electoral area

1. Decision Required

- 1.1 To report the outcome of the initial public consultation following a request from Stanway Parish Council to combine the two parish wards and create one electoral area and to consider the draft proposal for further consultation.

2. Reasons for Decision

- 2.1 Stanway Parish Council requested a Community Governance Review be conducted to combine the two parish wards creating one electoral area.
- 2.2 Colchester Borough Council, as the principal authority, has the power to conduct a Community Governance Review and make certain decisions concerning parish councils in its area. This function is a non-executive function and has been delegated to this committee. Local Government and Public Health Involvement in Health Act 2007 requires that after the consultation period the council will make a recommendation as to whether the existing area of the parish should be altered. The recommendation of the council must be published and any interested parties informed.

3. Alternative Options

- 3.1 To retain the current arrangements of two parish wards.

4. Supporting Information

- 4.1 Stanway Parish Council had been advised that Wivenhoe Town Council had recently requested a review to combine its two Town Council wards back into one electoral area, and it was suggested that Stanway considers doing the same. The Parish Council wards of Stanway were imposed because the Borough Council boundaries had changed in 2002. At the meeting on the 13 October 2010 Stanway Parish Council resolved to request the Borough Council to conduct a Community Governance Review to consider returning the two parish wards of Stanway East and Stanway West to a single electoral area for parish elections.
- 4.2 Following the Accounts and Regulatory meeting held on the 22 February 2011 it was agreed that a review would be undertaken commencing with the publication of the Terms of Reference document on the 14 March 2011, setting out the request from Stanway Parish Council and the considerations of the Borough Council. Residents and interested parties were invited to give their views on the proposals. Information relating to the

Community Governance Review was available for inspection on the Councils website and at the Council offices. The Terms of Reference was intended to prompt local consideration, initiate discussion and the exchange of ideas and this intern would help the council to prepare the draft proposals.

- 4.3 Key stakeholder and residents were invited to make their representations and comments by 10 May 2011. Sixteen written representations were submitted. These have been summarised in Appendix B.
- 4.4 When considering this request by the Stanway Parish Council, the Borough Council must have regard to;
- In Section 95(3) of the Local Government and Public Involvement in Health Act gives consideration to warding arrangements of Parish Councils. Warding arrangement is appropriate where it is felt that particular areas of the parish would benefit from separate representation. These arrangements should be appropriate and easily understood by the electorate and the numbers of councillors reflect the requirements for the electorate to be equally represented. Ultimately the recommendations made in the review should bring about improved community engagement and a cohesive community. It is felt in this case that it would be more appropriate for the community to be represented as a whole.
 - On the whole there is support of the proposed changes within the parish. The concerns over the financial implications are noted but there would be no additional cost or savings made by the combining of the parish wards. This decision has no effect on the warding of the borough council wards which can only be changed by an electoral review held by the Boundary Commission for England.

5. Proposals

Having taken into account all consultation responses and having regard to the interests and identity of the community the Borough Council consider the request by Stanway Parish Council and approve the draft recommendations for further consultation.

6. Strategic Plan References

- 6.1 Although there is an indistinct association to the provision of quality services provided by rural communities, there are no explicit links to the strategic plan.

7. Consultation

7.1 Responses are shown in Appendix B

7.2 The following have been consulted:

- All residents in the Parish
- Essex County Councillor for Stanway and Pyfleet
- Colchester Borough Councillor for Stanway and Copford and West Stanway
- Essex County Council

8. Publicity Considerations

- 8.1 This decision will primarily affect the business of Stanway Parish Council and the ratio of councillor representation to the electorate.

9. Financial implications

9.1 There are no financial consequences arising from this report for the Borough Council other than the cost of conducting the review. There is no power to recharge the cost of the review as the statutory power to conduct the review rest with the Borough Council.

10. Human Rights Implications

10.1 The electoral process underpins the right to democratic representation.

11. Community Safety Implications

11.1 There are no community safety implications.

12. Health and Safety Implications

12.1 There are no health and safety implications associated with this decision.

13. Risk Management Implications

13.1 There are no risk management implications.

Background Papers

Appendix A: Copies of the minute of parish council meeting submitted by Stanway Parish Council.

Appendix B: Responses to consultation.

Appendix C: Draft Recommendation of Community Governance Review.

STANWAY PARISH COUNCIL

Minutes of the meeting of the **Policy & Finance Committee**
Held on **WEDNESDAY 11TH AUGUST 2010** at 7.00pm
In the **COMMITTEE ROOM, VICTORY HALL**

47. Community Governance Reviews

Cllr C L Sykes advised that Wivenhoe Town Council had recently requested a review to combine its two Town Council wards back into one, and he put forward the suggestion that Stanway considers doing the same. The Parish Council wards of Stanway were imposed because the Borough Council boundaries had changed in 2002. He advised that the Borough Council can make the decision to change parish ward boundaries, after consultation with the electorate.

After discussion it was agreed to apply for a review of the Parish Council wards, to become a fifteen member, single ward, Parish council.

PROPOSED Cllr C J Edwards SECONDED Cllr J Spademan and unanimously RESOLVED to apply for a review of the Parish Council wards, to become a fifteen member, single ward, Parish council.

STANWAY PARISH COUNCIL

Minutes of the meeting of the **Policy & Finance Committee**
Held on **WEDNESDAY 13TH OCTOBER 2010** at 7.00pm
In the **COMMITTEE ROOM, VICTORY HALL**

109. Community Governance Reviews

The Clerk advised that she had received guidance regarding the review process from Colchester Borough Council, which had been circulated to the Committee.

After discussion it was agreed that the Clerk writes to Colchester Borough Council to request a review of the Parish Council's wards.

PROPOSED Cllr J Spademan SECONDED Cllr B C Turner and unanimously RESOLVED that the Clerk writes to Colchester Borough Council to request a review of the Parish Council's wards.

	Name	Summary of Response
1	Christiana Edwards	Agree that the parish should be returned back to one electoral area-feels the original warding by the Electoral Commission was unnecessary and did not represent the interests of the parish
2	Barry Magson	Agrees with the proposed change
3	Trevor Ireland	Agreed if there would be a financial saving - other than that no change
4	Eric Barker	Interested in the reasoning behind the change?
5	Derek Woodard	Agrees with the combining of the two wards - would benefit Stanway as a whole
6	John Lemon	Interested why parish thinks this change is desirable
7	Gordon Yates	Agree with the parish councils request
8	Timothy Wright	Fully support the proposed combining of the two wards
9	Rob James	Does not support the parish council level of politics
10	Colin & Laura Sykes	Both support the change to one electoral area. Supporting as a Borough, Parish councillor and resident of Stanway
11	John Hudson	Fully support the proposed change
12	T N Brewis	Endorse the parish council request
13	Clive Sampson	Fully support the parish council in re establishing the parish into one electoral area
14	J M Ashby	In agreement two combine the two wards into one electoral area
15	R D Buxton	Feels the present system is preferred
16	M T Kimmel	In agreement with combining the two wards into one electoral area

**Colchester Borough Council
Community Governance Review
Draft Recommendation Stanway Parish Council**

Local Government and Public Involvement in Health Act 2007.

Introduction to the Review

Colchester Borough Council received a request from Stanway Parish Council, requesting a review of the parish warding of Stanway Parish with a view to combining the two parish wards into one electoral area.

The review commenced with the publication of the Terms of Reference document on the 14 March 2011. Residents and interested parties were invited to give their views on the proposals. Information relating to the Community Governance Review was available for inspection on the Councils website and held at the offices in Rowan House 33 Sheepen Road Colchester. The terms of Reference was intended to prompt local consideration, initiate discussion and the exchange of ideas and this intern would help the council to prepare the draft proposals.

The purpose of this report is to outline the response from the initial public consultation. Key stakeholder and residents were invited to make their representations and comments by 10 May 2011. Sixteen written representations were submitted.

Representations made have been summarised in Appendix B

The Councillors representing Stanway have been consulted.

Stanway Parish Council had been advised that Wivenhoe Town Council had recently requested a review to combine its two Town Council wards back into one, and it was suggested that Stanway considers doing the same. The Parish Council wards of Stanway were imposed because the Borough Council boundaries had changed in 2002. At the meeting on the 13 October 2010 Stanway Parish Council resolved to request the Borough Council to conduct a Community Governance Review to consider returning the two parish wards of Stanway East and Stanway West to a single electoral area for parish elections. See Appendix A.

Electoral Arrangements

The parish of Stanway is divided into two wards and has a council of fifteen members, thirteen representing Stanway East ward and two representing Stanway West ward.

Electoral arrangements and levels of representation for the Parish

<i>Parish Ward</i>	<i>Electors (2 May 2011)</i>	<i>Councillors</i>	<i>Ratio of Electors to Councillors</i>
Stanway East	6359	13	489
Stanway West	177	2	89
	6536	15	

Proposed Changes to the Electoral Arrangements

In Section 95(3) of the Local Government and Public Involvement in Health Act gives consideration to warding arrangements of parish councils. It states warding arrangement are

only appropriate where it is felt that particular a area of the parish would benefit from separate representation. It is felt in this case that it would be more appropriate for the community to be represented as a whole as this would be better understood by the electorate and the number of councillors would then reflect the requirements for every electorate to be equally represented.

On the whole there is support of the proposed changes within the parish. The concerns over the financial implications are noted but there would be no additional cost or savings made by the combining of the parish wards. This decision has no effect on the warding of the borough council wards which can only change by an electoral review held by the Boundary Commission for England.

Summary of Draft Proposals

- That the wards of Stanway parish are combined creating one electoral area
- The proposals will seek final approval at the Accounts and Regulatory Committee on the 18 October 2011.
- The reorganisation order will come into force on the 1 December 2010.

What Happens Next

Action	Relevant Date
Draft Proposals are published	4 July 2011
Consultations	5 July 2011 – 5 September 2011
Final Proposals are prepared	September 2011
Accounts and Regulatory Committee publishes the Recommendations	18 October 2011
Council publishes the Reorganization Order	1 December 2011

How to contact us

Should you wish to comment please contact:

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Colchester Borough Council
33 Sheepen Road
Colchester
CO3 3WG

Or alternatively by email: sarah.cheek@colchester.gov.uk



Accounts and Regulatory Committee

Item

8

28 June 2011

Report of	Head of Resource Management	Author	Steve Heath ☎ 282389
Title	Annual Statement of Accounts 2010/11		
Wards affected	Not applicable		

This report details the revised procedures for the approval of the Statement of Accounts for 2010/2011

1. Decisions Required

- 1.1 To note the revised procedures for the approval of the accounts, and comment on the proposal for a separate internal briefing session for the Committee prior to the deadline for approval of the audited accounts on 30 September 2011.

2. Revised Procedures

- 2.1 The Finance and Audit Scrutiny Panel were notified of the changes to the accounts as a result of the introduction of International Financial Reporting Standards (IFRS) at the meeting of 29 March 2011. The panel were also informed of potential changes to processes resulting from proposed revisions to the Accounts and Audit Regulations.
- 2.2 The proposed changes were laid before Parliament on 22 March, and came into effect from 31 March. This means that they apply to the 2010/11 accounts. The main impacts of these changes are as follows:
- The draft accounts now only need to be certified by the responsible financial officer by the 30 June deadline. The Accounts and Regulatory Committee will no longer have to approve the draft accounts. Instead this will now happen when members are aware of the findings of the audit and can make a better informed decision.
 - We no longer have to produce full sets of accounts for the two Joint Committees that are then subject to full audit, as they are now classified as 'smaller relevant bodies'. This is because the gross income or expenditure threshold for a body to be defined as a 'smaller relevant body' has been increased from £1m to £6.5m. However we need to produce a return that should be approved by the Joint Committees by 30 June. This will lead to a significant reduction in the audit costs in relation to these bodies.
 - The Annual Governance Statement (AGS) now should accompany the accounting statements, rather than be included with them. The purpose of this change is to make clear that the AGS is not part of the statement on which the auditor's opinion is given. The AGS is being reported as a separate agenda item for this meeting.
- 2.3 The changes to the approval of the accounts bring the requirements for Local Authorities in line with those in the private sector and elsewhere in the public sector. However, giving members early notification of the financial outcome of the year has been identified as good practice, once the draft accounts have been certified by the responsible financial officer. It has therefore been scheduled for the draft accounts to be reported to the next meeting of the Accounts and Regulatory Committee on 26 July. Publication of the draft statement of accounts at this stage on the Council's website would be in line with the Government's policy of increased transparency.

- 2.4 It is also suggested that an internal briefing session should take place prior to the Committee where Members are asked to approve the certified accounts. This will seek to clarify the changes arising from the introduction of IFRS, explain the purpose of the main statements, and provide Members with a broader understanding of the content of the accounts. This, in turn, should enable Members approving the accounts to be satisfied that the presentation appears appropriate, and that the accounts are consistent with other financial information provided.
- 2.5 The final accounts audit is planned for July and August, and the External Auditor will report to the meeting of this Committee on 27 September. The report will address any matters arising out of the final accounts audit and comment on the proposed opinion on the accounts. The responsible financial officer must re-certify the presentation of the annual accounts before Member approval is given.
- 2.6 The Council needs to have secured approval and published the accounts with the audit opinion and certificate by no later than 30 September 2011, the statutory deadline. In keeping with the usual practice the published statement, including the auditor's opinion, will then be reported to the next meeting of the Committee on 18 October 2011.

3. Strategic Plan References

- 3.1 The objectives and priorities of the Strategic Plan informed all stages of the budget process for 2010/11.

4. Publicity Considerations

- 4.1 It is planned that the accounts will be open for public inspection from Monday 25 July to Friday 19 August to meet our legal duties. The dates will be advertised in the local press and on the Council's website.
- 4.2 Staff will be available to provide information and respond to questions during this period. The local press usually take the opportunity to view the accounts and information will be provided as appropriate.

5. Financial Implications

- 5.1 The approval of the Statement of Accounts meets a statutory requirement for financial reporting and is an important part of the process to demonstrate accountability in the use of public funds.
- 5.2 The Finance and Audit Scrutiny Panel receive periodic financial reports during the course of the financial year and an outturn report at year end. The pre-audit revenue and capital outturn results for the financial year 2010/11 are being considered by the Panel on 28 June 2011.

6. Other Standard References

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

Background Papers

None



Accounts & Regulatory Committee

Item

9

28 June 2011

Report of	Head of Resource Management	Author	Hayley McGrath 508902
Title	Review of the Governance Framework and Draft Annual Governance Statement		
Wards affected	Not applicable		

**This report concerns the Annual Governance Statement for
2010/11**

1. Decisions Required

- 1.1 To consider and note the review of the Council's compliance with the six principles of good governance including the review of effectiveness of the internal control arrangements.
- 1.2 To approve the Annual Governance Statement for 2010/11

2. Reasons for Decision(s)

- 2.1 Regulation 4(1) of the Accounts and Audit Regulations 2011 states that :
'The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.'
- 2.2 The regulation goes on to place a requirement on the Council to conduct a review of the effectiveness of its system of internal control at least once a year and to report the findings to this committee. Following the review the committee must approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control.
- 2.3 The review of the system of internal control assesses the Council's compliance with the six principals of good corporate governance (CIPFA / SOLACE guidance – Delivering Good Governance in Local Government) and the effectiveness of the policies and procedures that make up the Council's governance framework. The process also produces a management action plan to address any identified weaknesses.
- 2.4 CIPFA's proper practice requires the Chief Executive and the Leader of the Council to sign the AGS. They must be satisfied that the document is supported by reliable evidence and accurately reflects the authority's governance and control arrangements.

3. Alternative Options

- 3.1 None.

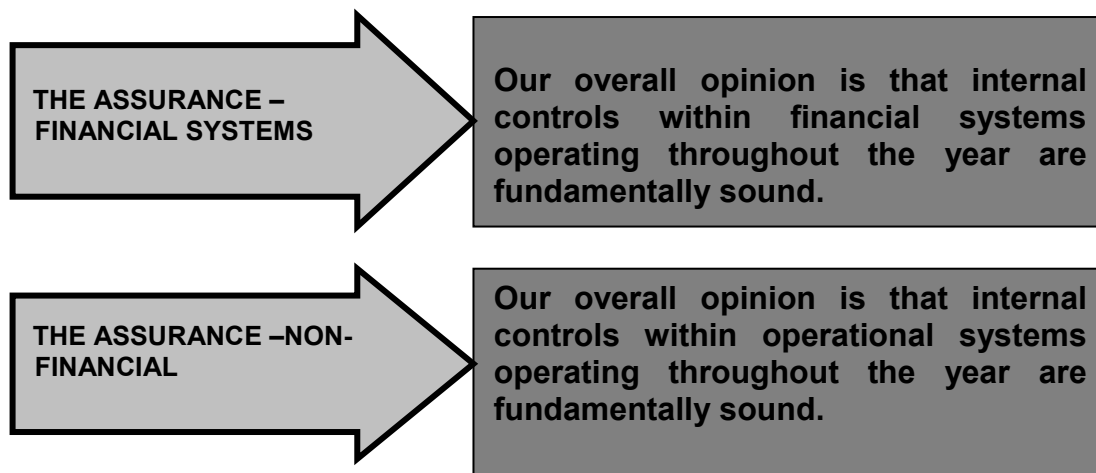
4. Supporting Information

- 4.1 A report was made to the Finance and Audit Scrutiny panel in March 2011 outlining in more detail the requirements and process for the AGS. A copy of this report is attached at appendix 1.
- 4.2 In 2001 CIPFA and SOLACE issued guidance regarding best practice with regard to corporate governance. This was adopted by Colchester and a local code of corporate governance was introduced based on this guidance. In May 2007 CIPFA and SOLACE produced revised guidance – Delivering Good Governance in Local Government – to take into account current issues in local authorities such as Local Area Agreements and partnership arrangements. The AGS is designed to review compliance with the six principles of good governance outlined in the revised guidance.
- 4.3 The six principles of Corporate Governance are:
- **Focusing on the purpose** of the authority and on 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.
 - **Engaging with local people** and other stakeholders to ensure robust accountability.
- 4.4 As part of the governance review it is a requirement that the Council reviews the effectiveness of internal control and this is primarily evidenced by the Head of Internal Audit Report produced by the Council’s Internal Audit provider, Deloitte. A copy of the report is provided as a background paper. The key statement from this report is detailed below:-

2010/11 Year Opinion

Internal Control

From the Internal Audit work undertaken in 2010/11, it is our opinion that we can provide satisfactory assurance that the system of internal control that has been in place at Colchester Borough Council for the year ended 31st March 2011 accords with proper practice, except for any details of significant internal control issues as documented in the detailed report. The assurance can be further broken down between financial and non-financial systems, as follows:



- 4.5 The overall summary from the report states 'We have noted an overall improvement in Colchester Borough Council's control environment during the audit year. During the 2010/11 audit year, some 34 (87%) of internal audit projects, where an audit opinion is given, were rated 'full/substantial assurance' compared with 24 (67%) in the prior year. We have also noted an improvement in the number of internal audit projects rated 'limited assurance' down from 12 (33%) to 5 (13%).'
- 4.6 In addition, the further steps taken in producing the AGS have been as follows:-
- The creation of a working group consisting of the Monitoring Officer, the Policy and Projects Officer and the Risk and Resilience Manager. This group was responsible for gathering and reviewing evidence in support of the AGS and reporting to the Executive Director.
 - A full review of the Council's code of corporate governance including detailed assessment of evidence supporting each principle.
 - Assurance assessments relating to key areas of governance and control have been completed by senior management.
 - Consideration of risk management issues.
 - Detailed follow up of issues with relevant managers to provide evidence of controls in place.
 - Review of the action plan from the Statement of Internal Control for 2009/10.
 - Review of the implementation of recommendations made by Internal Audit.
 - Review of issues raised in External Audit reports, principally the Annual Audit Letter.
- 4.7 The Annual Governance Statement for 2010/2011 is attached as a separate document. The format of the statement takes into account both the mandatory pro-forma contained within CIPFA's proper practice guidance, together with subsequent examples of best practice.
- 4.8 The AGS includes a table showing significant internal control issues and planned actions to address these. A more detailed action plan is set out within this report at Appendix 2. The AGS should be an ongoing assessment and therefore a review of the progress against the recommendations has been programmed into the internal audit plan for 2011/12. The results of this review will be reported to the Finance and Audit Scrutiny Panel in the normal manner.
- 4.9 As stated earlier this Committee is required to approve the AGS, which will then be signed and included within the Statement of Accounts.

5. Proposals

- 5.1 That the panel consider the review of governance and internal control arrangements and approve the Annual Governance Statement for 2010/11.

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. Therefore the actions should be incorporated into the risk management process.

8. Other Standard References

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

Background Papers

Head of Internal Audit report for the year ended 31 March 2011 by Deloitte

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COLCHESTER BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

Scope of responsibility

Colchester Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Colchester Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Colchester Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk. The Council is also responsible for ensuring that any companies owned by the Council, and any jointly operated services, also have proper arrangements in place for the governance of their affairs.

Colchester Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.colchester.gov.uk or can be obtained from Colchester Borough Council, P.O.Box 884, Town Hall, High Street, Colchester, CO1 1FR.

This statement explains how Colchester Borough Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled. Which in turn directs the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Colchester Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Colchester Borough Council for the year ended 31 March 2011 and up to the date of approval of the annual accounts.

Elements of the Framework

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The framework consists of comprehensive processes that each ensure that the Authority complies with the principals of good governance. These include:

- **The Strategic Plan** – which identifies and communicates the authority’s vision of its purpose and intended outcomes for citizens and service users. This is supported by an action plan that is updated annually.
- **The Strategic Risk Register** – which reflects the objectives of the strategic plan and identifies the implications for the Council’s governance arrangements.
- **The Constitution** - This is the fundamental basis of the authority’s governance arrangements and includes:
 - Defining and documenting the roles and responsibilities of the executive, nonexecutive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.
 - Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken.
 - The Policy Framework which includes the documents relating to Corporate Governance including:
 - The Local Code of Corporate Governance.
 - A risk management strategy detailing processes and controls required to manage risks.
 - The Anti-Fraud and Corruption Policy
 - The Ethical Framework which includes documents relating to standards of conduct and good practice which include:
 - A code of conduct which defines the standards of behaviour for all members.
 - Planning procedures Code of Practice
 - Protocol on Members/officer Relations
 - Media Protocol
 - Operational Protocol relating to Administration Arrangements
 - Monitoring Officer Protocol
 - Chief Finance Officer Protocol
 - Resources Protocol
 - A whistle blowing policy for receiving and investigating complaints from the public and staff.
 - Gifts and Hospitality Guidance
- **The operation of the Finance and Audit Scrutiny Panel** which undertakes the core functions of an audit committee, as identified in CIPFA’s document ‘Audit Committees – Practical Guidance for Local Authorities’.
- **The operation of the Strategic Overview and Scrutiny Panel** to ensure that the actions of the Cabinet accord with the policies and budget of the Council, monitor the financial performance of the Council, link spending proposals to the Council’s policy priorities and review progress and to review decisions of the Cabinet via the call-in procedure.
- **The operation of a Standards Committee**, that enforces the code of conduct for members.
- **A performance management system** for all officers that identifies key objectives and development needs.
- **A members training programme.**
- **A communications strategy** which establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

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- **A partnership strategy** that ensures that the quality of the Council's partnerships are improved and that all partnerships, both current and proposed, add value.
- **Treasury management practices and policies**

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

Review of effectiveness

Colchester Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates including the Benefits Fraud Inspectorate, Equal Opportunities Commission, Lexcel, Investors In People, the Vehicle Inspectorate, DEFRA, East England Tourist Board, the Office of Surveillance Commissioners and the Local Government Ombudsman.

As well as the annual review, the governance and control frameworks are maintained and reviewed by a series of comprehensive processes throughout the year. These include:

- **A robust Internal Audit function** where the planned work is based on identified key systems and risk areas
- **An embedded reporting system** for both internal and external audit issues that ensures that senior managers and members are fully briefed on key issues, which includes the requirement to report to the Finance and Audit Scrutiny Panel at least every quarter.
- **A comprehensive risk management process** that ensures the key risks across the authority, both operational and strategic, are captured and reported to senior officers and members.
- **The operation of an independent Standards Committee** that is fully briefed to review the conduct of members.
- **Reporting of key performance issues** to the Strategic Overview and Scrutiny Panel.
- **A comprehensive budget monitoring process** that is reported monthly to senior managers.
- **A partnership register** that records the details of all of the partnerships that the Council is involved in.

The significant control issues found during the course of the review are highlighted in the table at the end of the statement. However it should be noted that none of the key financial systems received limited or no assurance levels from internal audit during the year.

Effectiveness of Other Organisations

The Council owns two companies, Colchester Borough Homes which was created in 2003 and Colchester Community Stadium Limited that was created in 2007. As these are limited companies there is no requirement for them to produce Governance Statements in this format. However it is recognised by the Council that it is essential for these companies to operate effective governance procedures to ensure appropriate and cost effective service provision and protection of Council assets.

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Whilst C.B.H. is an 'arms length' company it is still necessary for the Council to ensure that it operates effectively to ensure that it provides an effective and economical service to housing tenants that the Council's asset, the housing stock, is adequately protected. Whilst it has not been possible to finalise the governance audit of Colchester Borough Homes prior to the completion of this report there have been no significant control weaknesses identified during the year either through this review process or through the audit programme,

A review of the management arrangements for Colchester Community Stadium Limited (C.C.S.L.) was carried out as part of the preparation of this statement. Whilst C.C.S.L. is an 'arms length' company it is still necessary for the Council to ensure that it operates effectively to ensure that it can make the necessary loan repayments to the Council and that the Council's asset, the stadium, is adequately protected. Previous governance reviews had highlighted some weaknesses in control arrangements of the stadium which have been resolved and the performance reporting processes now just need to be fully embedded.

The Council is the lead partner in a joint museum service with Ipswich Borough Council. Due to the nature of the arrangement, the joint museum service is required to produce its own annual governance statement. Therefore it is not intended to include any details relating to this service within this statement.

During 2010/11 the Council was also the lead partner in a joint parking service with Braintree and Uttlesford District Councils. This was replaced on 1 April 2011 by the North Essex Parking Partnership. However the joint parking service is still required to produce an annual governance statement as part of its final statement of accounts. Therefore it is not intended to include any details relating to the service within this statement.

The Council has a comprehensive partnership strategy and maintains a detailed register of the partnerships that it participates in. The strategy defines what a partnership is and details the governance arrangements that should be in place for all partnerships, both present and new. It also provides a mechanism for improving the effectiveness of the partnerships.

Internal Audit Opinion

From the work undertaken in 2010/11, Internal Audit has provided satisfactory assurance that the system of internal control that has been in place at the Council for the year ended 31 March 2011 accords with proper practice. This is excepting any details of significant internal control issues as documented hereafter. It is also the opinion of Internal Audit that the Council's corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Significant Governance Issues

The review of the effectiveness of the governance and internal control arrangements has identified some areas where actions are required to ensure that the authority continues to provide appropriate and cost effective services. The issues and action plans are shown in the table below. These will be monitored and reviewed via the Internal Audit reporting process.

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No.	Issue	Action
1.	<p>Contract Procedures</p> <p>A contracts register has been compiled and is maintained by Resource Management. However it was found that in some cases contract procedure rules, such as forwarding documents to Legal Services or updating Resource Management, were not being complied with and in some instances services were being procured without proper contracts being in place. An issue that occurred during the year highlighted the need to clearly define key contracts, which did not necessarily relate to the value of the contract.</p>	<p>A guide to letting contracts should be agreed and issued as soon as possible. Followed up by specific training for key staff.</p>
2.	<p>Homelessness</p> <p>The Homelessness audit highlighted several procedural issues that significantly affected the controls over the process. These included</p> <ul style="list-style-type: none"> • Examples where forms have not been signed by the Case Officer; • Decision letters not being sent to applicants; • Up to date information not being obtained and retained on IDOX; • Inadequate segregation of duties • Check lists not being fully completed. 	<p>Management have agreed the audit recommendations and sample checks will be undertaken to ensure that the system is now operating correctly.</p>
3.	<p>Managing the Risk of Fraud</p> <p>The audit of anti-fraud and corruption highlighted that further work needs to be undertaken to embed awareness of fraud and corruption issues.</p>	<p>A training programme will be drawn up to further raise awareness of issues and a resource area created on the Hub.</p>
4.	<p>IT Disaster Recovery</p> <p>The Disaster recovery audit highlighted that recovery arrangements should be formally documented within a Disaster Recovery Plan to ensure the response, recovery and restoration of all critical systems and supporting infrastructure are effectively coordinated and managed to achieve the recovery time objectives for critical services.</p>	<p>Management have agreed the recommendations in the report and the plan will cover:</p> <ul style="list-style-type: none"> • Details of all critical systems and applications to be recovered; • Linkage to the Major Emergency Plan and relevant business continuity arrangements; • Critical recovery time periods for the systems or applications; • Temporary arrangements including facilities, resources and the equipment required for recovery; • Procedures for the retrieval of back-up tapes;

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We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Accounts & Regulatory Committee and we propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

..... &

Leader of the Council

&

Chief Executive

on behalf of Colchester Borough Council



Finance & Audit Scrutiny Panel

Item

29 March 2011

Report of

Head of Resource Management

Author

Hayley McGrath
508902

Title

The Annual Governance Statement Briefing Paper

Wards
affected

Not applicable

This report provides an explanation of the Annual Governance Statement, which will be reported to the Accounts & Regulatory Committee later in the year.

1. Actions Required

- 1.1 To note the requirement to produce an Annual Governance Statement and the role of the Accounts and Regulatory Committee in the process.
- 1.2 It is also an opportunity for the committee to highlight any governance issues that they feel should be considered as part of the review.

2. Reason for Scrutiny

- 2.1 The Annual Governance Statement is a statutory requirement as set out in Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.
- 2.2 The Council has to report an Annual Governance Statement (A.G.S.) as part of its Annual Statement of Accounts. The A.G.S. encompasses a comprehensive review of the Councils governance arrangements including compliance with the Code of Corporate Governance. The regulations state that the A.G.S. should be reviewed by the Accounts and Regulatory Committee which should then recommend that it is signed off by the Leader of the Council and the Chief Executive
- 2.3 Although the Accounts and Regulatory Committee has scrutinised previous statements it is an essential part of the process that this briefing report is presented to the panel to ensure that all members are fully aware of their responsibilities.

3. Background

- 3.1 In 2007 CIPFA / SOLACE issued revised guidance regarding how Corporate Governance should be managed and reviewed .The Good Governance Framework sets out six fundamental principles of corporate governance (as shown below), which are underpinned by supporting principles and requirements:
 - **Focusing on the purpose** of the authority and on 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.
- **Engaging with local people** and other stakeholders to ensure robust accountability.

3.2 Councils are expected to comply with the requirements of the Framework and thus meet the principles of good corporate governance. The purpose of the A.G.S. is to critically review the Council's success in complying with the framework.

4.0 What is an Annual Governance Statement?

4.1 The A.G.S. should be an open and honest self-assessment of a Council's governance arrangements and compliance with the Good Governance Framework across all of its activities, with a clear statement of the actions being taken or required to address areas of concern.

4.2 It should include the following:

- An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control).
- A description of the key elements of the systems and processes that comprise the governance arrangements.
- Identification of the key risks and gaps in control and assurance.
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements.
- An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

4.3 The Audit Commission has commented that:

"Authorities need to recognise that this is a corporate issue, affecting everyone in the organisation. It is also important to recognise that the purpose of the annual governance statement is not just to be 'compliant', but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required. This will also demonstrate to stakeholders what those arrangements are."

5.0 Other Reviews that Influence the Annual Governance Statement

5.1 Not only will the A.G.S. require the provision of evidence from many sources ranging from the Constitution through to individual procedure notes, it will also need to show that some specific areas of review have been carried out including:

- A Corporate Governance Health Check
- An assessment of the effectiveness of Internal Audit
- Partnership arrangements
- Risk Management Framework

5.2 These areas are central to the overall control framework of the authority and are therefore critical in being able to complete the A.G.S.

6.0 Suggested Process

6.1 The guidance for the A.G.S. proposes the following process:

CIPFA Guidance (steps)	Suggested Sources of Assurance
Establish the principal statutory obligations and organisational objectives.	<ul style="list-style-type: none"> • Constitution • Corporate / Strategic plans • Service plans • Performance reporting
Identify the principal risks to achievement of the objectives	<ul style="list-style-type: none"> • Corporate Risk profile • Risk management processes • Internal Audit – risk based planning
Identify and evaluate the key controls to manage the principal risks.	<ul style="list-style-type: none"> • Internal Audit – risk based planning (includes reviews of Corporate Risk process) • All key financial and non financial systems audited regularly • Annual review of Corporate Governance • Annual Risk Management report
Obtain assurances of the effectiveness of key controls	<ul style="list-style-type: none"> • Work of the Internal Audit Service • Annual Internal Audit report • Annual External Audit letter • Work of Risk Management • Annual Risk Management report • External accreditations • Assurance Statement from managers
Evaluate assurances and identify gaps in control / assurance	<ul style="list-style-type: none"> • Work of the Internal Audit Service • Annual Internal Audit report • Annual External Audit letter • Work of Risk Management • Annual Risk Management report • Work of information security officer
Action plan to address weaknesses and ensure continuous improvement of the system of internal control.	<ul style="list-style-type: none"> • Action plans arising from the work of the Internal Audit Service, Audit Commission and other inspection agencies • CPA Action Plans • Best Value action plans • Group/ Strategic risk management action plans

7. Proposals

- 7.1 To note the requirement of the Council to produce an Annual Governance Statement and the responsibility of the Accounts and Regulatory Committee to consider and approve the completed statement.

8. Strategic Plan Implications

- 8.1 The Annual Governance Statement is a fundamental review of the Council's governance arrangements which influences the effectiveness of the processes required to achieve the strategic objectives.

9. Risk Management Implications

- 9.1 The risk management framework is an integral part of the Council's governance arrangements and the Annual Governance Statement includes a review of the effectiveness of the risk management process.

10. Other Standard References

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

Colchester Borough Council
Annual Governance Statement – Action Plan for 2011/12

Significant Internal Control Issues – Relating to 2010/11 Financial Year

No.	Issue	Action	Due Date	Responsible Officer	How this Issue was Identified
1.	<p>Contract Procedures A contracts register has been compiled and is maintained by Resource Management. However it was found that in some cases contract procedure rules, such as forwarding documents to Legal Services or updating Resource Management, were not being complied with and in some instances services were being procured without proper contracts being in place. An issue that occurred during the year highlighted the need to clearly define key contracts, which did not necessarily relate to the value of the contract.</p>	<p>A guide to letting contracts should be agreed and issued as soon as possible. Followed up by specific training for key staff.</p>	<p>October 2011</p>	<p>Head of Resource Management</p>	<p>Annual governance review process,</p>
2.	<p>Homelessness The Homelessness audit highlighted several procedural issues that significantly affected the controls over the process. These included</p> <ul style="list-style-type: none"> • Examples where forms have not been signed by the Case Officer; • Decision letters not being sent to applicants; • Up to date information not being obtained and retained on IDOX; • Inadequate segregation of duties <p>Check lists not being fully completed.</p>	<p>Management have agreed the audit recommendations and sample checks will be undertaken to ensure that the system is now operating correctly.</p>	<p>September 2011</p>	<p>Housing and Communities Manager</p>	<p>Internal Audit report</p>

No.	Issue	Action	Due Date	Responsible Officer	How this issue was identified
3.	<p>Managing the Risk of Fraud</p> <p>The audit of anti-fraud and corruption highlighted that further work needs to be undertaken to embed awareness of fraud and corruption issues.</p>	<p>A training programme will be drawn up to further raise awareness of issues and a resource area created on the Hub.</p>	November 2011	Monitoring Officer	Internal Audit report
4.	<p>IT Disaster Recovery</p> <p>The Disaster recovery audit highlighted that recovery arrangements should be formally documented within a Disaster Recovery Plan to ensure the response, recovery and restoration of all critical systems and supporting infrastructure are effectively coordinated and managed to achieve the recovery time objectives for critical services.</p>	<p>Management have agreed the recommendations in the report and the plan will cover:</p> <ul style="list-style-type: none"> • Details of all critical systems and applications to be recovered; • Linkage to the Major Emergency Plan and relevant business continuity arrangements; • Critical recovery time periods for the systems or applications; • Temporary arrangements including facilities, resources and the equipment required for recovery; <p>Procedures for the retrieval of back-up tapes;</p>	February 2012	ICT Manager	Internal Audit report



Accounts and Regulatory Committee

Item
10

28 June 2011

Report of	Head of Resource Management	Author	Steve Heath
Title	Annual Audit Fee 2011/12		 282389
Wards affected	Not applicable		

This report concerns the Annual Audit Fee letter from the Audit Commission

1. Decision Required

1.1 To consider and note the contents of the Annual Audit Fee letter for 2011/12.

2. Reasons for Decision

2.1 The Accounts and Audit Regulations require the Council to consider and note the Annual Audit Fee letter.

3. Supporting Information

3.1 Officers from the Audit Commission will make a brief presentation in relation to the Annual Audit Fee.

3.2 The audit fee for 2011/12 is payable within that year and will relate to the work to be carried out in auditing of the accounts for that year.

3.3 Appendix 1 to the letter summarises the various reports that will be issued over the course of the audit.

4. Strategic Plan References

4.1 The objectives and priorities of the Strategic Plan informed all stages of the budget process for 2010/11 and 2011/12.

5. Financial Implications

5.1 The planned fees shown in the letter are within the budgeted amounts for each year.

6. Standard References

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

7 April 2011

Mr Adrian Pritchard
Chief Executive
Colchester Borough Council
Town Hall
Colchester
CO1 1FR

Direct line 0844 798 5816
Email d-hanson@audit-commission.gov.uk

Dear Adrian

Annual audit fee 2011/12

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at Colchester Borough Council. The fee reflects the work required to meet the Code of Audit Practice and work mandated by the Commission for 2011/12. The audit fee covers the:

- Audit of financial statements;
- Value for money conclusion; and
- Whole of Government accounts.

As I have not yet completed my audit for 2010/11, the audit planning process for 2011/12, including the risk assessment will continue as the year progresses.

Audit fee

For 2011/12, the Audit Commission proposes to levy an individual scale fee for each audited body. In previous years, the Commission has determined scales of audit fees fixed and variable elements that reflect the type, size and location of audited bodies. The appointed auditor has then set the individual fees, based on the scale fee adjusted as necessary to reflect the level of local risk and the scale and complexity of the audit.

The 2011/12 scale fee will be based on the planned 2010/11 fee, adjusted for the following proposed decreases in the total audit fee:

- no inflationary increase in 2011/12 for audit and inspection scales of fees and the hourly rates for certifying claims and returns;
- a cut in scale fees resulting from our new approach to local value for money audit work; and
- a cut in scale audit fees for local authorities, police and fire and rescue authorities, reflecting lower continuing audit costs after implementing IFRS.

Audit Commission, 3rd Floor, Eastbrook, Shaftesbury Road, Cambridge, CB2 8BF
T 0844 798 4200 F 01223 353073 www.audit-commission.gov.uk

Variations from the scale fee will only occur where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee. I have not identified any such variations at this stage of planning my audit.

The scale fee for Colchester Borough Council is £132,573, as shown in the table below:

Audit area	Scale fee 2011/12	Planned fee 2010/11
Audit fee	£132,573	£139,550
Certification of claims and returns	£55,174	£55,258

I will issue a separate Audit Plan in December 2011. This will detail the risks identified to both the financial statements audit and the vfm conclusion. The audit plan will set out the audit procedures I plan to undertake and any changes in fee. If I need to make any significant amendments to the audit fee, I will first discuss this with the Head of Resource Management. I will then prepare a report outlining the reasons the fee needs to change for discussion with the Finance and Audit Scrutiny Panel.

I will issue several reports over the course of the audit. I have listed these at Appendix 1.

The fee excludes work the Audit Practice may agree to undertake using its advice and assistance powers. If any such work is proposed we will negotiate each piece of work separately and agree a detailed project specification.

Audit team

Your audit team must meet high specifications and must:

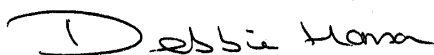
- understand you, your priorities and provide you with fresh, innovative and useful support;
- be readily accessible and responsive to your needs, but independent and challenging to deliver a rigorous audit;
- understand national developments and have a good knowledge of local circumstances; and
- communicate relevant information to you in a prompt, clear and concise manner.

The key members of the audit team for 2011/12 are:

Name	Contact details	Responsibilities
Debbie Hanson District Auditor	d-hanson@audit-commission.gov.uk 0844 798 5816	Debbie is responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive, Head of Resource Management and Chair of Audit Committee and issuing the auditor's report.
Christine Connolly Senior Audit Manager	c-connolly@audit-commission.gov.uk 0844 798 5781	Christine manages and coordinates the different elements of the audit work. Key point of contact for the Head of Resource Management.
Gary Belcher Team Leader	g-belcher@audit-commission.gov.uk 0844 798 2606	Gary has experience of auditing the financial statements of large local authorities. He will lead the on-site team in delivering the audit.

I am committed to providing you with a high-quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me. Alternatively you may wish to contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely



Debbie Hanson
District Auditor

cc Charles Warboys, Head of Resource Management – Colchester Borough Council

cc Christine Connolly, Senior Audit Manager – Audit Commission

Appendix 1- Planned outputs

We will discuss and agree our reports with officers before issuing them to the Accounts Regulatory Committee or Finance and Audit Scrutiny Panel.

Table 1

Planned output	Indicative date
Audit plan	December 2011
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Final accounts memorandum (to the Head of Resource Management), if required	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013

