

Governance and Audit Committee Meeting

**Grand Jury Room, Town Hall, High Street,
Colchester, CO1 1PJ**

Tuesday, 17 January 2017 at 18:00

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

Information for Members of the Public

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

Accounts and Audit

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

Governance

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

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

Other regulatory matters

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

To determine and approve Community Governance Reviews.

Standards in relation to Member Conduct

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

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

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

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

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

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

General

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

COLCHESTER BOROUGH COUNCIL
Governance and Audit Committee
Tuesday, 17 January 2017 at 18:00

Member:

Councillor Chris Pearson
Councillor Nick Barlow
Councillor Karen Chaplin
Councillor Peter Chillingworth
Councillor Fiona Maclean
Councillor Dennis Willetts

Chairman
Deputy Chairman

Substitutes:

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

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

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

1 Welcome and Announcements

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, to give reasons for the urgency and to indicate where in the order of business the item will be considered.

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 judgement 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**

9 - 16

To confirm as a correct record the minutes of the meeting held on 22 November 2016.

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 relating to the terms of reference of the Committee/Panel 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 relating to

the terms of reference of the Committee/Panel not on this agenda.

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| 7 | Work Programme 2016-17
See report of Assistant Chief Executive | 17 - 18 |
| 8 | Certification of Claims and Returns – Annual Report 2015/16
See report of Assistant Chief Executive | 19 - 30 |
| 9 | Interim Review of the Annual Governance Statement Action Plan
See report of Assistant Chief Executive | 31 - 34 |
| 10 | Mid-Year Internal Audit Assurance Report 2016/17
See report of Assistant Chief Executive | 35 - 42 |
| 11 | Risk Management Progress Report
See report of Assistant Chief Executive. | 43 - 56 |
| 12 | Exclusion of the Public (not Scrutiny or Executive)
In accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972). | |

Part B

(not open to the public including the press)

GOVERNANCE AND AUDIT COMMITTEE

22 NOVEMBER 2016

Present:- Councillor Pearson (Chair), Councillor Barlow, Councillor Chaplin, Councillor Chillingworth, Councillor Maclean, Councillor Willetts

31. Minutes

RESOLVED that the minutes of the meeting held 11 October 2016 were confirmed as a correct record.

32. Work Programme 2016/17

Councillor Pearson introduced the work programme for the Governance and Audit Committee during 2016/17. Councillor Pearson highlighted that it was likely that a report regarding the Review of Meetings and Ways of Working would be included on the agenda for the meeting on 7 March 2017.

Jonathan Baker, Democratic Services Officer, highlighted that the Corporate Debt Management Policy pending agreement from the Committee could be scheduled for the meeting on 7 March 2017.

RESOLVED;

- a) That the Corporate Debt Management Policy be scheduled for the meeting on 7 March 2017.
- b) that the Work Programme 2016/17 be noted.

33. Annual Audit Letter

Kevin Suter, Executive Director, Ernst and Young introduced the Annual Audit Letter Report. The report requests that the Committee considers and notes the contents of the 2015/16 Annual Audit Letter.

Kevin Suter stated that Ernst and Young reported the detailed findings from the audit at the July Committee meeting. There is a further requirement, under the Accounts and Audit Regulations, to provide an Annual Audit Letter which summaries the conclusions and significant issues from the audit of the Council. Whilst the Annual Audit Letter does not provide any new information, it does provide a high level summary of the work that has taken place and is intended for wider public consumption.

Kevin Suter informed the Committee that the Annual Audit Letter includes confirmation that Ernst and Young signed an unqualified opinion on Colchester Borough Council's Statement of Accounts, an unqualified value for money conclusion and certified completion of the audit during July 2016. Kevin Suter highlighted that this was well in advance of the statutory deadline on 30 September and commended the work by the Officers and the Council in

presenting the accounts; this is already achieving the earlier deadline of 31 July that Local Authorities are being set in two years.

The Committee congratulated the hard work of the Officers in achieving this result and achieving the earlier deadline requirements in advance of it being implemented.

Councillor Willetts questioned whether the IT systems are robust enough to provide the information needed to assess the accounts, especially with the increasing pressure on timelines. Councillor Willetts also questioned whether there was a limit to when the audit could be completed. In response Kevin Suter stated that the Council does provide access to various systems as required, and the testing within the audit supported this. There were no concerns that needed to be brought to attention to the Committee. With regard to the time limits, there is no intention to bring the preparation timescales further forward. Whilst Colchester Borough Council already has the processes in place to adhere to the new deadlines, it would be advantageous to look for any further efficiencies or improvements to speed up the process by approximately a week. This would enable Ernst and Young to manage their portfolio of Local Authorities. Kevin Suter stated that there would be limitation in moving the audit completion date earlier in the year due to the complexity and differing sources of information required to finalise an audit.

Councillor Willetts also questioned whether with the possibility of creating more subsidiary companies and organisations of the Borough Council this would create difficulty in completing the audit by the required date. In response, Kevin Suter stated that arrangements would need to be put in place to ensure that possible new subsidiary companies reach the deadline; currently there are no issues with subsidiary or partnership organisations.

RESOLVED that;

- a) the Governance and Audit Committee thanked officers for their hard work.
- b) The contents of the 2015/16 Annual Audit Letter be considered and noted.

34. Equality and Safeguarding – Annual Update Report

Councillor Feltham, Portfolio Holder for Business, Leisure and Opportunities, introduced the report. The report requests that the Committee review the progress made in meeting the Council's legal duties and objectives in regard to both Equality and Safeguarding, and to endorse the approach set out in the report. The Committee is also asked to note the proposed reviews to the Council's Safeguarding Policy.

Councillor Feltham highlighted that over the past few years the agenda in this area has grown and both safeguarding and equality are complex issues. It is essential that the Borough is a welcoming place to be. Councillor Feltham was proud that all political groups supported the anti-hate crime motion that was discussed at Full Council.

Andrew Harley, Equality and Safeguarding Co-ordinator, stated that this is the first time a joined up report has come to the Governance and Audit Committee. Equality and Safeguarding are equally important, mutually supportive and reinforce each other, however there are distinct areas which involve separate legal duties. They each require the Council to have due regard and involve the principle of proportionality. Andrew Harley informed the Committee that this is something embedded within the Council, but is an area that will need constant review and refocus on what is proportionate; particularly in the tough financial

climate.

Andrew Harley highlighted to the Committee the measures and approach that the Council intends to take for 2016. This included continuing to use Equality Impact Assessments, as well as utilising technology to understand the needs of an impacts of customers. The Council also intends to conduct useful equality analysis on new data that is being collated from the corporate complaints platform which was updated earlier this year. In terms of safeguarding the Council needs to continue to broaden and deepen work in key areas such as child sexual exploitation, modern slavery and Prevent, the Counter terrorism duty. The intention is to further develop the partnership work in these areas, including through the Safer Colchester Partnership and through work with the Safeguarding Boards. Andrew Harley also highlighted to Councillors that the Safer Colchester Partnership are running a Hidden Harms Conference on 30 November in the Moot Hall.

Councillor Chillingworth requested further information on the MOSAIC segmentation tool, and the training provided to staff. Andrew Harley stated that tool the enables staff to gain information at smaller than electoral ward level about the protected characteristics in that area. This assists the Council in allowing staff to understand the potential impact of decision on protected characteristics. Many members of staff have had training in this area, and the Research and Engagement Team have advanced skills that can provide assistance to staff across the Council. With regard to the training for staff, the Council provides e-learning programmes to improve awareness. This had recently been updated following work with the Safeguarding Board to include further information about the new key areas including modern slavery, honour based abuse and child sexual exploitation services. The course will also be available Councillors in a few weeks' time. With regard to more advanced training this is focused on those staff that have particular contact with children or adults who are at risk. Colchester Borough Council has training providers in house, but also provides training outside of the Council for Delegated Lead Officers and Operational Lead Officers. Colchester Borough Council also works with Colchester Borough Homes to provide some training, however they also resource and provide their own training programmes.

Councillor Pearson stated that it was key as Councillors to take responsibility for the equalities policy and inform members of the public about this responsibility to help make Colchester safer and more caring for both adults and children.

Councillor Willetts question the amount of information stored on the MOSAIC tool about protected characteristics. Andrew Harley confirmed that it only provided non-sensitive information and no individual could be identified from the information. The MOSAIC tool included information like ethnic group and religion that is underpinned by census data. Councillor Willetts also questioned whether there were any indicators to show that the Council is achieving what it sets out to achieve, and whether there were any areas that required further improvement. Andrew Harley stated that the challenge is ensuring that staff are aware of the latest developments in Safeguarding and Equality. Andrew Harley highlighted that further awareness particularly with regard to child sexual exploitation could be improved in key services such as licensing, however there is always more work required due to the changing nature. Lucie Breadman, Head of Community Services stated that there is a bi-annual self-assessment and this provides good feedback for areas we need to focus on. Lucie Breadman stated that the main issues identified from the assessments tend to be around training and awareness, particularly with staff turnover and frontline staff.

Councillor Willetts also questioned whether the Council holds a register of public buildings in the Borough that do not provide access for disabled residents. Lucie Breadman was not

aware that the Borough Council holds a list of publicly accessible buildings, and suggested that access groups in Colchester may hold this information. Lucie Breadman highlighted that ensuring access to all buildings open to the public in Colchester may be difficult due to the historic nature of the town, but that all Colchester Borough Council buildings are accessible.

Committee members agreed that future reports should include additional information about how policies are put into action.

Councillor Chillingworth questioned whether if an officer was made aware of a situation whether they would know where to direct the query. Andrew Harley provided details of a case that was reported by a Colchester Borough Council officer to the designated officer and subsequently to the Police. Thankfully there was no evidence that modern slavery was occurring. If an officer does have concerns they will contact the designated officer who will then contact social care, or if criminality is involved the Police would be contacted.

Councillor Pearson highlighted that another authority in Essex had included a license condition for taxi drivers to attend a training course to help spot child sexual exploitation and know where to pass the information on to. Councillor Pearson suggested that this could be something that is introduced in Colchester.

The Committee thanked the work of the officers in ensuring the Council meets its legal duties with regard to both Equality and Safeguarding.

RESOLVED;

- a) That the Committee reviewed the progress made in meeting the Council's legal duties and objectives in regard to both Equality and Safeguarding, and endorses the approach set out in the report.
- b) That the Committee note the proposed revisions to the Council's Safeguarding Policy which takes account of the new legislation and guidance.

35. Internal Audit Plan 2017/18

Hayley McGrath, Corporate Governance Manager, introduced the Internal Audit Plan 2017/18 report which requests that the Committee comment and agree on the suggested Internal Audit Plan for 2017/18.

Hayley McGrath stated that the Governance and Audit committee receives two reports per year on the internal audit process. This report provides information on the internal audit plan for the coming year, and the five year complete programme. Hayley McGrath highlighted the certain areas of the Council, such as the key financial systems require audits every year, whereas other areas are audited once every five years.

A total of 275 days per year are allocated for individual audits, however this is averaged out over the five years. Key risks on the risk register influence the amount of audit days allocated to each area. Any breaches from the audit will be announced through the annual governance reporting process. Hayley McGrath also confirmed that the audit plan is seen by the Senior Management Team.

Councillor Chillingworth questioned why only ten days had been allocated to the Garden Communities project when it was such a significant future piece of work. In response Hayley McGrath stated that the audit process is about looking back to assess whether the

processes in place are operating correctly, rather than looking forward. There is a separate resource for when audit related work is required in advance of a project to provide system development support. With regard to the Garden Communities project as this is ongoing there are already existing processes and procedures in place, including monitoring by its own board. Auditing of this project would only occur after implementation. Following a further question from Councillor Chillingworth, Hayley McGrath confirmed that the five year schedule is not fixed in place and can be altered each year if required depending on demand.

RESOLVED that the Internal Audit Plan for 2017/18 be agreed.

36. Annual Review of Business Continuity

Hayley McGrath, Corporate Governance Manager, introduced the Annual Review of Business Continuity report. Hayley McGrath highlighted an amendment to the report to require the Committee to agree to the Business Continuity Strategy. The Committee are also required to note the business continuity work undertaken during the period, and the intended work plan for 2017.

Hayley McGrath stated under the Civil Contingencies Act 2014, the Council has two duties; to be able to carry on providing its own services in the event of disruption, and to provide advice and guidance relating to business continuity to local businesses and voluntary organisations. Hayley McGrath also distinguished between business continuity which related to the Council's processes to ensure services continue, and emergency planning which relates to the effect on the whole Borough in the event of an emergency.

Hayley McGrath informed the Committee of the work that had been completed so far this year. This includes having merged the functions of business continuity and emergency planning into one designated officer role, which had strengthened the business continuity processes across the organisation. Hayley McGrath highlighted that each service area within the Council has its own business continuity plan, and that the resilience officer had been working across the organisation to ensure that the plans are up to date. Further work has also been undertaken with a number of suppliers and contractors. With regard to Colchester Borough Homes, they provide their own business continuity services, however there is some joint working.

Councillor Chillingworth questioned the impact on business continuity of the increasing use of IT and possibility of being hacked. Hayley McGrath stated that the loss of IT is the biggest risk to the Borough Council alongside the loss of Rowan House. There have been recent developments with IT, including the move to Office365 which have strengthened resilience as officers are able to access their information from any location. As part of the business continuity plan, there have been a significant number of conversations with IT regarding information and data security. Ann Hedges highlighted that the Council had recently suffered from a ransomware attack. The issue was reported quickly on a Friday afternoon and all infected files were isolated and restored by Monday morning. Ann Hedges also highlighted that IT is the service with the most days of audit.

Councillor Pearson questioned whether if the back-up system fails whether there is a paper based system that the Council can use to continue to provide services. Hayley McGrath acknowledged that this becomes more difficult the more IT is used, however as part of a recent server move from Colchester to Braintree District Council a significant business continuity exercise was undertaken to ensure that staff details and supplier information was

provided in written copy.

Councillor Willetts questioned whether the Council shares its business continuity information with Parish Council's. Hayley McGrath confirmed that the Council holds events for Parish Councils to attend on business continuity where advice is provided. This has been further advanced recently as there is now one officer providing both business continuity support and Emergency Planning support to the Parish Councils. With regard to the Joint Partnerships, Colchester Borough Council provides assistance in these areas.

RESOLVED;

- a) That the business continuity work undertaken during the period be noted
- b) That the Business Continuity Strategy be agreed
- c) That the intended work plan for 2017 be noted.

37. Treasury Management Strategy Statement – Mid-Year Review Report 2016/17

Steve Heath, Finance Manager, introduced the Treasury Management Strategy Statement mid-year review report. The report requests that the Committee consider the treasury management activity for the first six months of 2016/17 and to note the changes to the Treasury Management Strategy Statement for the year as approved at the September Cabinet meeting.

Steve Heath highlighted that the Treasury Management Strategy relates to the management of cash flows and investments and was originally agreed by Council as part of the budget report in February 2016.

Steve Heath stated that the report provides information on changes to the strategy made by Cabinet on 7 September. The changes, which are largely a result of the outcome of the EU referendum include alterations to the borrowing rates, credit ratings and interest rate forecasts. There has also been a change to the country limits so that it excludes the UK should there be any further deterioration of the credit rating, allowing for the Council to continue to invest in the UK. Steve Heath also outlined a change to the budgeted investments earning rates, and, unrelated to the EU referendum, a change to the Council's two Lender Option/Borrower Option (LOBO) loans which effectively become fixed rate loans. This change to the LOBO loans will not have financial implications, but will alter the accounting arrangements. In addition to this, following information from Ernst and Young there has been a change to the Minimum Revenue Provision (MRP) Policy, which allows for the repayment of debt.

Steve Heath also informed the Committee that the forecast for the bank rate had changed since the report had been published; a cut in the bank rate was no longer forecast, with the rate of 0.25% expected to last until 2019. In addition the borrowing rates are half a percent higher than provided in the report; these changes will be reflected in the Treasury Management Statement 2018/19.

Steve Heath also stated that there had been no deviation from the strategy during the year, with no new borrowing, and the anticipation that the Council will continue to borrow internally due to the lower cost of carry. All borrowing was within approved rates and outperformed the benchmarks. The Central Loans and Investment Account is currently

projected to be an adverse variance of £30,000 with the main factors being the lower recharge to the Housing Revenue Account due to a reduction in the level of HRA borrowing required this year, and the low interest rates currently available on cash balances.

Councillor Willetts questioned what impact the financing of the garden communities would have on treasury management and whether the risks had been assessed. In response Steve Heath stated that the Treasury Management Statement is refreshed each financial year, with the starting point being the prudential indicators. The indicators look at the projected capital expenditure and the financing implications of the expenditure for the year in question and the subsequent financial years. Any borrowing implications for garden communities or any capital scheme would be reflected in the medium term financial forecast. Under the prudential regime need to ensure that the financing arrangements are prudent, affordable and sustainable; if financed through borrowing it is funded by revenue the implications of which would need to be considered. In terms of risk the Council is very risk averse and advice would be sought from external advisors in terms of both the level and length of borrowing.

RESOLVED;

- a) That the treasury management activity for the first six months of 2016/17 be noted
- b) That the changes to the Treasury Management Strategy Statement for the year be noted.

17 January 2017

Report of	Assistant Chief Executive	Author	Jonathan Baker
Title	Work Programme 2016-17		☎ 282207
Wards affected	Not applicable		

This report sets out the current Work Programme 2016-2017 for the Governance and Audit Committee.

1. Decisions Required

- 1.1 The Committee is asked to note the contents Committee's Work Programme for 2016-17.

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 and Audit 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.
- 3.3 Following agreement at the previous meeting the Corporate Debt Management Policy has been added to the agenda for the meeting on 7 March 2017. In addition a report on the Review of Meetings and Ways of Working has also been provisionally scheduled for the meeting on 7 March 2017.

4. Strategic Plan References

- 4.1 Governance is integral to the delivery of the Strategic Plan's vision themes of a vibrant, prosperous, thriving and welcoming Borough.
- 4.2 The Council recognises that effective local government relies on establishing and maintaining the public's confidence, and that setting high standards of self governance provides a clear and demonstrable lead. Effective governance underpins the implementation and application of all aspects of the Council's work.

5. Standard References

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

WORK PROGRAMME 2016-17

Meeting date / Agenda items
28 June 2016 <ol style="list-style-type: none"> 1. Audit Plan and Annual Audit & Certification Fees (Ernst and Young) 2. Draft Annual Statement of Accounts 2015/16 (Finance Manager) 3. Review of the Governance Framework and Draft Annual Governance Statement (Corporate Governance Manager) 4. Year End Internal Audit Assurance Report 2015/16 (Audit Manager and Corporate Governance Manager)
26 July 2016 <ol style="list-style-type: none"> 1. Annual Statement of Accounts 2015/16 (Finance Manager) 2. Complaints in relation to Councillor Buston 3. Review of Council Meetings and Procedures 4. 2015/16 Year End Review of Risk Management
13 September 2016 <ol style="list-style-type: none"> 1. Colchester Borough Homes Annual Report and Governance Statement 2. Annual Statement of Accounts 2015/16 3. Financial Monitoring Report – April to June 2016 4. Capital Expenditure Monitor 2016/17 5. Review of Meetings and Ways of Working
11 October 2016 <ol style="list-style-type: none"> 1. Review of Contract Management 2. Health and Safety Policy and Annual Report 3. Local Government Ombudsman Annual Review (Monitoring Officer) 4. Review of the Council's Ethical Governance Policies (Monitoring Officer) 5. Review of the Members' Code of Conduct and the Council's "Arrangements" (Monitoring Officer) 6. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Officers (Monitoring Officer) 7. Review of Local Code of Corporate Governance (Monitoring Officer)
22 November 2016 <ol style="list-style-type: none"> 1. Annual Audit Letter (Ernst and Young) 2. Internal Audit Work Programme 2017/18 (Corporate Governance Manager) 3. Annual Review of Business Continuity (Corporate Governance Manager) 4. Equality and Safeguarding Annual Update 5. Treasury Management – Half Yearly Update
17 January 2017 <ol style="list-style-type: none"> 1. Certification of Claims and Returns – Annual Report 2015/16 (Ernst and Young) 2. Risk Management Progress Report (Corporate Governance Manager) 3. 2016-17 Interim Internal Audit Monitor (Corporate Governance Manager) 4. Annual Governance Statement Interim Review (Corporate Governance Manager)
7 March 2017 <ol style="list-style-type: none"> 1. 2016-17 Revenue Monitor, period April – December 2. 2016-17 Capital Monitor, period April – December 3. Corporate Debt Policy 4. Review of Meetings and Ways of Working

17 January 2017

Report of	Assistant Chief Executive	Author	Steve Heath
			☎ 282389
Title	Certification of Claims and Returns – Annual Report 2015/16		
Wards affected	Not applicable		

The Panel is invited to note and comment on the contents of the 2015/16 annual grant claims report

1. Action required

- 1.1 To note and comment on the contents of the 2015/16 Certification of Claims and Returns annual report from the external auditor, Ernst & Young.

2. Reason for report

- 2.1 The Accounts and Audit Regulations require the Council to consider this report.

3. Supporting information

- 3.1 This report summarises the outcomes of the Auditor's certification work on the Council's claims and returns for 2015/16, and highlights the significant issues. The Auditors' work related to the housing benefits subsidy claim with a total value of £55m.
- 3.2 The Auditor's work identified a number of errors, which the Council amended. There were no new recommendations arising from the Auditor's work on the 2015/16 claim.
- 3.3 The Auditor is also due to commence work on the 2015/16 Housing pooling return in January 2017.

4. Strategic Plan references

- 4.1 The objectives and priorities of the Strategic Plan informed all stages of the budget process for 2015/16.

5. Financial implications

- 5.1 The auditor has submitted a scale fee variation of £1,083 for the 2015/16 work to reflect the additional testing that was required on the claim. This will be included in the projected outturn that will be reported to the Committee in the quarter 3 revenue monitoring report.
- 5.2 The amendments to the housing benefits claim had a small net impact, reducing the overall subsidy due to the Council by £11,028.

6. Other Standard References

- 6.1 Having considered publicity, 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.

Certification of claims and returns annual report 2015-16

Colchester Borough Council

December 2016

Ernst & Young LLP



Building a better
working world

The Members of the Governance and Audit Committee
Colchester Borough Council
33 Sheepen Road
Colchester
Essex
CO3 3WG

20 December 2016

Ref: GPS/KS/HB16/CBC

Mobile: 07876 397986

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Dear Members

Certification of claims and returns annual report 2015-16 Colchester Borough Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Colchester Borough Council's 2015-16 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2015-16, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2015-16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £54,966,777. We met the submission deadline. We issued a qualification letter for the housing benefit scheme claim and details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

We made no recommendations in the prior year and have none to make this year.

Fees for certification work are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).



We welcome the opportunity to discuss the contents of this report with you at the 17 January 2017 Governance and Audit Committee.

Yours faithfully

Kevin Suter
Director
Ernst & Young LLP
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£54,955,749
Amended/Not amended	Amended - subsidy reduced by £11,028
Qualification letter	Yes
Fee - 2015-16	£13,640 (This comprises the scale fee of £12,557 plus a proposed scale fee variation of £1,083. Further detail on the scale fee variation is included in section 3 of this report).
Fee - 2014-15	£23,949

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive 40+ or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years claims. We found errors and carried out extended testing in four areas:

- Minor reconciliation differences - amendments made to the claim;
- Non HRA rent rebates - treatment of backdated expenditure - amendment made to the claim;
- Errors in input of earnings details - 40+ testing carried out and reported in qualification letter; and
- Error in calculation of Local Housing Allowance - 40+ testing carried out and reported in qualification letter.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

- 40+ testing was carried out on local housing allowance rates (rent value for tenants of private landlords) and earnings for rent allowances (non local authority tenants). Extrapolations of the errors identified by this testing were reported in the qualification letter.

The net impact on the claim was £11,028.

Follow-up on 2014/15 Qualification report

During the year we were required by the DWP and PSAA to follow-up the issues reported in our 2014/15 qualification letter.

In summary, the issues reported in that year were:

- ▶ The council could not reconcile one case sampled for testing back to the subsidy claim; and
- ▶ The Council had processed manual adjustments in respect of overpayments for Genesis Housing Association tenants, for which we identified an error in our sample testing.

The Council completed additional work for these two issues, which we reviewed.

Our additional work resulted in:

- ▶ Assurance that following additional work, the Council could reconcile the case back to the subsidy claim; and
- ▶ Correction of a further 9 overpayments where amendments had been incorrectly made.

2. Other assurance work

During 2015-16 we will also act as reporting accountants in relation to the following scheme:

- Housing pooling return

This work is due to commence in January 2017 when we will provide a separate report to the Council in relation to this return. This work will be undertaken outside the PSAA regime. The proposed fee for this is included in the figures in Section 3. They are referred to here to ensure Members have a full understanding of the various returns on which we provide some form of assurance.

3. 2015-16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	13,640	12,557	23,949
Requested follow-up work for 2014/15 claim			1,991
Housing pooling return		5,000	

The housing benefit subsidy claim certification fee has reduced year on year.

In 2014/15 the indicative fee was set as £19,690, which in addition a scale fee variation was made of £4,259 to reflect the need for additional 40+ work.

The indicative fee is set based on the level of fee from two years ago, so 2015/16's indicative fee was based on the outturn fee from 2013/14 of £16,743 less 25% savings from the Audit Commission's final contractual procurement. In 2013/14, no 40+ was required.

Due to the work performed above the baseline set in 2013/14 we have submitted a scale fee variation to PSAA of £1,083. The proposed variation reflects:

- The additional time spent reviewing claim adjustments. This work was undertaken to address the issues identified with non-HRA backdates and reconciliation adjustments.
- The fact that we have had to undertake additional review of 40+ testing for errors in earnings and calculation of the Local Housing Allowance rate.

We must seek the agreement of PSAA to this proposed variation, which also needs to be agreed with the Colchester Council's Strategic Finance Manager.

4. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £17,926. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015-16. Indicative fees for 2016/17 housing benefit subsidy certification work are based on final 2014/15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:
<http://www.psaa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Strategic Finance Manager before seeking any such variation.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

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17 January 2017

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 2015/16.

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 Part 2 (3 & 6) of the Accounts and Audit Regulations 2015 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 reported to and approved by committee before being signed by the Leader of the Council and the Chief Executive, and then 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 2015/16 financial year was reported to the Governance and Audit Committee in June 2016. 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 2015/16 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.

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 2016/17
Interim Review November 16

No.	Issue	Action	Due Date	Responsible Officer	Audit Position Update
1.	Payroll The internal audit review of the payroll function identified two areas for improvement: <ul style="list-style-type: none"> • The process for approving new system users needs to be formalised and segregated – currently the main system user also sets up new users, and • Exception reports and the payroll run authorisation should be reviewed by an officer independent to the process. 	From 31 March 2016 the payroll process has been moved to a new system. The system supplier is running the payroll service on a bureau basis for the first six months. The recommendations from the audit will be included in the new processes being developed and will be fully implemented when the Council resumes full control of the function.	01 October 2016	Head of Professional Services	The annual audit of payroll will be carried out in quarter four (Jan - March 17). These areas will be included in the review and reported to committee as part of the Internal Audit year-end report.
2.	Contract Management The internal audit review of the contract management process identified several areas for improvement: <ul style="list-style-type: none"> • Review and update of the procurement strategy and contract register. • Guidance needs to be updated and made available. • Evidence and review of tender exercises that are carried out. • Updating of preferred supplier details • Completion and retention of quotation details • Shared electronic record keeping. 	The recommendations made in the report have been accepted and work has already started on developing corporate procedures, to ensure that all services manage contracts appropriately.	31 December 2016	Head of Corporate & Financial Management	These items are scheduled to be formally followed-up by Internal Audit in quarter four. However the service has confirmed that the majority of actions have been completed and the introduction of sharepoint and the new intranet has allowed a more robust record keeping process and improved guidance.

No.	Issue	Action	Due Date	Responsible Officer	Audit Position Update
3.	Revenues & Benefits System The internal audit review of the revenues and benefits system identified several areas for improvement: <ul style="list-style-type: none"> • Classification process for data • Reviewing of security violation reports • Documentation of processes and testing • Backup arrangements and testing • Development of a disaster recovery plan including recovery times • Supplier arrangement for breaches of the SLA. 	Work is ongoing with the IT recommendations and the service is working in collaboration with the Computer Audit Manager, to ensure that the control environment is effective.	31 December 2016	Head of Corporate & Financial Management /Head of Customer Services	<p>These items are scheduled to be formally followed-up by Internal Audit in quarter four. However the service has confirmed that the following actions:</p> <ul style="list-style-type: none"> • The Classification of data position clarified and removed from final report • Security violation reports are compiled and reviewed on a monthly basis, no violations to date • Documentation of releases & test plans complete. Database interfaces now mapped and procedure write-ups in progress tbc Dec 16. • In discussion with supplier re SLA • DR provision under review
4.	Data Protection During the year there were two instances where the Council had to inform the Data Commissioner that personal data had not been appropriately managed. On both occasions this was as a result of actions of third party contractors, not failures of Council processes. On both occasions the Data Commissioner considered that no action needed to be taken against the Council, however the Council has a duty to ensure its data is appropriately protected at all times.	A review will be undertaken to assess contracts where customer details need to be shared with suppliers. A formal protocol for data handling by third parties will be introduced and all identified suppliers will be required to sign it.	31 December 2016	Head of Corporate & Financial Management	<p>There is a data protocol for anyone processing the Councils data. It is mandatory for all suppliers receiving or processing Council data outside, unless a particular supplier's terms and conditions amount to their acceptance of the same obligations.</p> <p>This protocol, which must be signed by the Council and the supplier's representative, requires the supplier to keep the data secure, prevent unauthorised access, guarantee it is not used for any other purposes and return or delete it at the cessation of the supplier's services.</p> <p>This is managed by the Data Protection Officer and is set out in the Data Protection policy 2016/17.</p>

17 January 2017

Report of	Assistant Chief Executive	Author	Hayley McGrath 508902
Title	Mid-Year Internal Audit Assurance Report 2016/17		
Wards affected	Not applicable		

This report summarises the performance of internal audit, and details the audits undertaken, between 1 April 2016 and 30 September 2016.

1. Decision Required

1.1 To review and comment on:

- Internal audit activity for the period 01 April 2016 – 30 September 2016
- Performance of internal audit by reference to national best practice benchmarks.

2. Reason for Decision

- 2.1 Section 2 (5) of the Accounts and Audit Regulations 2015 requires that ‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.
- 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

- An effective internal audit service was provided during the first half of the 2016/17 financial year.
- The assurance ratings for the Visitor Information Centre Cash Up, Fuel Usage, Housing Benefit / Local Council Tax Support and Leisure World Cash Up audits have increased from ‘substantial’ to ‘full’.
- Two audits have been awarded ‘limited’ assurance opinions, Information Technology (IT) – Capita Revenues and Use of Machinery / Vehicles.
- Three priority 1, 14 priority 2 and two priority 3 recommendations have been made. All recommendations have been accepted by management.
- There continues to be good progress made in implementing and verifying outstanding recommendations.

4. Supporting Information

- 4.1 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.

4.2 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.
- The effectiveness of the Internal Audit provider in delivering the service.

4.3 Appendix 1 outlines the recommendation and assurance gradings.

5. Internal Audit Performance

5.1 Summary of Audits Finalised During the Period

Audit	Assurance Level	Change in Level	Priority of Recommendations			Agreed
			1	2	3	
136 – IT Capita Revenues (15/16)	Limited	N/A	1	5	1	7
201 – VIC Cash Up	Full	▲	0	0	0	0
203 – Fuel Usage	Full	▲	0	0	1	1
206 – Leisure World Catering	Substantial	N/A	0	1	0	1
207 – Use of Machinery / Vehicles	Limited	N/A	2	5	0	7
224 – Housing Benefit / Local Council Tax Support	Full	▲	0	0	0	0
229 – Complaints	Substantial	N/A	0	3	0	3
234 – Leisure World Cash Up	Full	▲	0	0	0	0

5.1.1 During the period a total of eight audits have been finalised. For four of the audits there was no previous audit against which a change of level could be assessed, and there was an improvement in assurance level for the remaining four.

5.1.2 Details of the recommendations raised for 136 – IT Capita Revenues and 207 – Use of machinery / vehicles are shown in appendix 2.

5.2 Use of Audit Resources:

	Days	%
Audit days delivered April – September 2016	88.5	27
Audit days remaining	235.5	73
	324	100%

5.2.1 Following the renewal of the audit tender the Mazars Internal Audit Manager met with each of the Heads of Services to discuss the audit programme, to ensure that the audits reflected the areas of risk and that the timings supported other assurance processes, such as external audit testing.

5.2.2 This exercise was concluded in July 2016 and a revised three year Internal Audit Plan was drafted in conjunction with the Corporate Governance Manager. The plan was subsequently approved by this committee in November 2016.

5.2.3 The number of audit days completed between April and September 2016 is slightly lower than the target set at the beginning of the year. This is as a result of some work being deferred to Quarters 3 and 4, following the discussions with management. The plan agreed in November was profiled to ensure that the remaining days will be delivered by the end of the financial year, subject to any further requests for deferment by management.

6. Status of all recommendations as at 30 September 2016:

- 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 30 September 2016.

	Outstanding Recommendations That Are:			
Date	Implemented & Verified	Awaiting Verification	Not Due	Overdue
30/09/16	67	131	11	0

- 6.3 Progress in following up recommendations has continued throughout the period with revised lists of recommendations provided to Heads of Service to enable them to confirm that they have been implemented, and for Internal Audit to verify.
- 6.4 Priority continues to be given to those awarded a higher priority rating and/or those that have been outstanding the longest, and work continues with management to arrange for them to be verified and cleared down.
- 6.5 Of the 131 recommendations that are awaiting verification 71 of them relate to IT audits and a further 36 will be covered as part of the 2016/17 audit programme. Internal audit have received updates from Corporate ICT and are currently working through the information with their Computer Audit Manager to ascertain whether recommendations can be closed down. There are also a number of general audit recommendations programmed to be followed up during November 2016.

7. Performance of Internal Audit 2016/17 to date – Key Performance Indicators (KPIs):

KPI	Target	Actual
Efficiency:		
Percentage of annual plan completed (to at least draft report stage)	40%	34%
Average days between exit meeting and issue of draft report	10 max	5
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	8.4
Percentage of all recommendations agreed	96%	100%

- 7.1 The key performance indicators show that the internal audit provider is successfully meeting or exceeding the standards set in the majority of the KPIs. However, as mentioned in 5.2.3 there has been a deferment of some work until quarter 4, as a result of which the percentage of the audit plan completed is currently slightly behind target.
- 7.2 The Client Satisfaction Questionnaires show a high level of satisfaction with the Internal Audit service.

8. Colchester Borough Homes Limited

- 8.1 Colchester Borough Homes Limited has its own agreed audit plan which is administered by Mazars 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.
- 8.2 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.
- 8.3 There were no joint audits carried out during this period.

9. Proposals

- 9.1 To review and comment upon the Council's progress and performance relating to:
- Internal Audit activity during the first half of 2016/17.
 - Performance of Internal Audit by reference to national best practice benchmarks.

10. Strategic Plan Implications

- 10.1 The audit plan has been set with due regard to the identified key strategic risks to the Council and the objectives of the strategic plan to be vibrant, prosperous, thriving and welcoming. Therefore, the audit work ensures the effectiveness of the processes required to achieve the strategic objectives.

11. Risk Management Implications

- 11.1 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.

12. Other Standard References

- 12.1 Having considered consultation, equality, diversity and human rights, health and safety and community safety 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 Council's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the Council's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council'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 and Audit 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 Assurance Rating:

136 – IT Capita Revenues (15/16)	Days	Assurance Limited	Priority of Recommendations			Agreed
			1	2	3	
	15		1	5	1	7

Scope of Audit: This review examined the following areas:

- Application Management and Governance;
- System Security;
- Interface Controls and Processing;
- Data Input;
- Data Output;
- Change Control;
- System Resilience and Recovery; and
- Support Arrangements.

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

- A Disaster Recovery Plan (DRP) for the Revenue and Benefits application should be formally documented and approved by business. Such areas to be included are: Roles and responsibilities; Incident response plan, including emergency action plan; Contact details for key staff; and Contact details for key third party vendors. (This is not an exhaustive list.) Additionally, Disaster Recovery arrangements for the Revenue and Benefits application should be tested on at least an annual basis. Test outcomes and proposed actions should be clearly defined and followed up on. (1)
- Management should ensure that interface processes between the Revenue and Benefits system and other applications are documented and indicate the roles involved in the transmission and receipt of file, timing required for interface process and process of reconciling the interfaces. (2)
- Testing of changes made to the Revenue and Benefits application should be adequately documented prior to sign-off for go-live. Test notes should detail the tests performed on the proposed change, the outcome and any proposed corrective action, this should also cover user acceptance testing. (2)
- Management should ensure that CAPITA performs backup restoration testing for the Revenue and Benefits application periodically, at least quarterly, and provide the Council with evidence of such testing. (2)
- Management together with Capita should determine the Revenue and Benefits system's criticality, so as to correctly agree its recovery time objective. (2)
- The Council should ensure that a Service Level Agreement (SLA) that includes methods of contacting the supplier and penalties and/or escalation procedures for breaches of service levels, is in place and approved. The Council should also ensure that the SLA is monitored and the SLA meeting minutes retained. (2)
- Management should ensure that security violation reports and failed logon reports attempts are reviewed on a regular basis. (3)

207 – Use of Machinery / vehicles	Days	Assurance Limited	Priority of Recommendations			
			1	2	3	Agreed
	8		2	5	0	7

Scope of Audit: This review examined the following areas:

- Policy and Procedures;
- Staff Training;
- Personal Protective Equipment; and
- Management Reporting and Monitoring.

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

- The General Management Team (GMT) should review the existing training requirement and recording processes, across the various service areas, to help ensure that training / refresher training is undertaken as and when required. A standard format for recording the training that has been completed by staff should be created and used consistently. (1)
- The GMT should implement a robust system and process is in place for the checking of driving licences and licence endorsements in order to comply with the terms and conditions of the Councils fleet insurance requirements. (1)
- Management should ensure that all relevant and required Standard Operating Procedures (SOPs) are formally agreed and embedded into working practices. SOPs should be made readily available to members of staff and a register should be maintained to ensure that all staff have signed to confirm that they have read and/or received a copy in respect of their job responsibilities / roles. (2)
- A register should be implemented of all Personal Protective Equipment (PPE) issued to staff. In addition, a guidance document should be produced that is issued with the PPE explaining to staff the important role that the PPE plays in ensuring staff safety. This should note that staff are liable for accidents and injury that takes place where the PPE has not been replaced where required (i.e. damaged) or worn correctly whilst operating machinery and/or using vehicles. Staff should acknowledge receipt of the guidance which should be retained on file. (2)
- Management should take a proactive approach, in the form of periodic spot checks, towards the proper use of PPE supplied to the members of staff operating machinery and vehicles. (2)
- Guidance covering the reporting process for personal injuries should be produced and passed to all managers across Community Services. Training should be given to ensure that all teams are reporting injuries in accordance with the Council's requirements. (2)
- The systems and processes in place relating to the use of machinery and vehicles should be discussed at GMT meetings so that best and consistent working practices can be identified and put in place across all service areas. (2)

17 January 2017

Report of

Assistant Chief Executive

Author

Hayley McGrath
508902

Title

Risk Management Progress Report

Wards
affected

Not applicable

**This is the interim report on Risk Management activity
during the period 01 April 2016 to 30 September 2016**

1. Actions Required

- 1.1 To note and comment upon:
- The work undertaken during the period 01 April to 30 September 2016;
 - The current strategic risk register

2. Reason for Scrutiny

- 2.1 The Risk Management Strategy, which forms part of the policy framework, identifies the Governance and Audit Committee as being responsible for reviewing the effectiveness of the risk management process and reporting 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

- The key risk continues to be 4d - the potential impact of future central government decisions to reduce public funding, including that of partners.
- This is followed by 5a - failure or inappropriate performance management of one or more strategic partnerships or key contracts.

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 delivery risks 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 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.
- 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 all project risks are monitored and co-ordinated by the Change and Performance 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 The Council's comprehensive approach to managing risks was one of the factors that influenced the tender for the renewal of the insurance contract, which produced significant annual savings.
- 5.2 Work has been undertaken to embed risk management within procurement processes, with the Corporate Governance Manager working with the procurement team to ensure that the risk processes support the development of a commercial approach. This has included the identification of liability clauses and setting expectations from suppliers.
- 5.3 The comprehensive review of the Health and Safety processes, which has been previously reported to this committee, has enabled a more integrated approach to managing physical risks. With the Corporate Health and Safety Officer leading on organisation wide projects such as reviewing lone working arrangements.
- 5.4 Following on from the last report to this panel in July 2016, the revised risk management strategy has been agreed by Cabinet and full Council, without amendment, and the policy framework has been updated accordingly.
- 5.5 The risk management process is audited on an annual basis. However as the system consistently achieves a satisfactory rating the scope of the audit for 2016/17 has been amended to also review the content of the registers - to ensure that they provide assurance that the risks are being appropriately managed. The results of the audit will be reported to this committee later in the year.

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 in December 2016.

7. Proposals

- 7.1 To note and comment upon the Councils progress and performance in managing risk during the period from April to September 2016.

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
January 2017 – March 2017**

Appendix 1

1. AMBITION											
Specific Risks		SCORE						Consequences	Actions	Owner	Timing
		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. Major downturn in public sector resourcing over the next few years will hamper the speed of delivery across the services provided. Poorer external assessments by independent agencies and loss of Council reputation. The Borough Council loses its status and influencing ability at sub-regional, regional and national levels.	Implement a regular reporting mechanism to SMT that includes defined performance criteria.	Executive Director	March 2017
1b	Unrealistic internal and external expectations on the speed of delivery.	3	3	9					Produce an IT development strategy that supports the next stage of our transformation and outcomes. This should be reviewed and reported to PMB on a regular basis.	Assistant Chief Executive	March 2017
1c	The Council is unable to effectively influence changes in the Borough economy.	3	4	12							
1d	Over reliance on a limited number of people limits ability to deliver our ambition.	3	3	9					Officers with more commercial skills have been appointed and others can learn from their experiences together with a set of commercial skills training being implemented across the organisation to re-skill officers for the new ways of working. The Trading Board and the Cabinet need to continue to enhance their commercial understanding in order to take the opportunities offered by a more commercial approach.	Strategic Director	March 2017
1f	The organisation fails to recognise the tensions between aspirations and statutory functions.	3	3	9							

P - Probability I – Impact O – Overall score

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December 2016

Low = 1 – 4 Medium = 5 – 9 High = 10 – 25

2. CUSTOMERS											
Specific Risks		SCORE						Consequences	Actions	Owner	Timing
		Current			Previous						
		P	I	O	P	I	O				
2a	The increasing expectations of our customers, set alongside the financial constraints 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.	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	March 2017
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				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.	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 and will be monitored to ensure delivery. A full lessons learned exercise will be conducted.	Executive Director	March 2017
2c	Impact of Welfare Reform will pose challenges to our resources in responding to rising customer need.	2	4	8				The Council fails to support our most vulnerable residents leading to an increase in crisis intervention.			

3. PEOPLE											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
		Current			Previous						
		P	I	o	P	I	O				
3a	Unable to compete with the private sector in the recruitment (and retention) of staff with key marketable skills	4	3	12				Decline in service performance Disengaged and demotivated staff Efficiency and productivity reduction	Communicate job opportunities and benefits of working at CBC clearly and imaginatively. Review opportunities for to do things differently for key posts including considering the value of trading companies.	Assistant Chief Executive Assistant Chief Executive	Ongoing March 2017
3c	Staff motivation declines with an impact on service delivery, our capacity to make changes and implementation of budget efficiencies	3	4	12				Inability to meet changing requirements and needs Customer perceptions decline as we deliver less Loss of key staff	Implement the internal communications strategy for staff allowing for staff to feed back. Agree and implement an action plan for the new People Strategy; reviewing performance regularly. Implement a formal learning and development strategy that includes financial considerations and business behaviours, and explores training alternatives.	Assistant Chief Executive Assistant Chief Executive Assistant Chief Executive	March 2017 March 2017 March 2017

4. HORIZON SCANNING

Specific Risks		SCORE						Consequence	Actions	Owner	Timing
		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				If not properly managed then either the Council will lose the opportunity to develop further or will have enforced changes to service delivery. Adverse impact on local residents / resources. Missed opportunities to boost local economy. Conflict between Council / Government agendas. Reduction in levels of service provision and potential withdrawal of services.	Ensure organisational readiness to respond to external challenges through the organisational goals – Customer, Business, Culture	Executive Director	March 2017
4b	Not taking or creating opportunities to maximise the efficient delivery of services through shared provision, partnerships or commercial delivery	4	3	12					Ensure there are regular reports to the Trading Board providing updates on delivery options including assessing the future potential for the Council to deliver commercial income.	Strategic Director	March 2017
4c	Failure by the Council to spot / influence at an early stage the direction of Central Government policies / new legislation.	3	3	9					Review and report the Organisational Development Strategy	Assistant Chief Executive	March 2017
4d	Potential impact of future central government decisions to reduce public funding, including that of our partners	5	4	20					The budget situation is constantly reviewed, incl impact of decisions from central government. Additional actions and areas for spending reviews are being identified.	Chief Operating Officer	March 2017
4e	The outcome of the referendum to leave the European Union is leading to a number of uncertainties. At the moment it is unclear how this will impact on the Council, our communities and businesses. However, it does raise a potential set of risks that will need to be monitored.	5	3	15					Continue to monitor the progress of the exit from the EU, ensuring that there is a formal process for reporting potential impacts.		March 2017

5. PARTNERSHIPS											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
		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, LEP, Health, CAPITA, CBH	4	4	16				The cost of service delivery is increased however quality decreases. Failure to deliver key priorities. Reputational and financial loss by the Authority.	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	March 2017
5b	Change of direction / policy within key partner organisations and they revise input / withdraw from projects.	4	3	12				Failure to deliver expected outcomes through partnerships Requirement to repay external funding granted to partnership – taking on the liabilities of the 'withdrawn' partner.	Set a formal relationship / performance review process to be used by all partnerships and ensure results are reported to senior management.	Executive Director	March 2017
5c	Potential inability to agree shared outcomes/ agendas with partners and the Council's ability to influence partner's performance.	3	4	12				External assessment of the Councils partnerships are critical and score poorly.			
5d	Working across the partners for delivery of the garden settlements project encounters delay. The partners - Colchester BC, Tendring DC, Braintree DC, Essex CC and the landowners fail to agree objectives and actions	2	4	8				The project fails to deliver its objectives leading to increased costs as there would be delays in local plan progress and loss of reputation, as well as the long term effect on ability to generate investment into the area and meet housing and employment needs.	There is a joint shadow delivery Board that allows the Authorities to co-ordinate their actions and resolve issues.	Strategic Director	March 2017

6. ASSETS & RESOURCES											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
		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 Personal liability of Officers and Members. Legal actions against the Council Loss of stakeholder confidence in the Borough Inability to sustain costs	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	March 2017
6b	Risk that Asset Management is not fully linked to strategic priorities and not supported by appropriate resources	3	4	12				Failure to deliver a balanced budget as planned. A need to use balances / reserves or to adapt financial plans to deal with impact of changes.	Review the budget monitoring process to ensure it reflects the structure and co-ordinates finances across the whole Council not just individual service areas.	Chief Operating Officer	Regular reporting to PMB. & Governance Review September 2016
								Required to use Reserves & Resources to fund capital priorities Severe impact on cash-flow leading to negative effect on performance targets	Ensure the continued development of the Revolving Investment Fund (RIF) - a sub-committee of Cabinet which has been created to link asset management to the strategic priorities and ensure that assets are used to their full commercial potential.	Strategic Director	March 2017

Continued.

6. ASSETS & RESOURCES											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
6c	Inability to deliver the budget strategy as planned.	3	4	12	4	4	16		Develop the annual budget strategy to ensure it has controls built in to be able to respond to changes in the strategic objectives and includes sensitivity analysis to consider the impact of potential changes to external funding or other incomes streams. Consider impact of loss or reduction in key income areas as part of budget strategy / budget plans.	Chief Operating Officer	Annual exercise. Council approves budget in Feb annually
6d	Failure to set aside sufficient capital funds for strategic priorities	3	4	12					Implement a regular review process for the medium term financial outlook, capital programme and HRA business plan 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 regularly reported to Governance Cttee. Review March 2017
6e	Significant reliance on our ICT presents challenges in maintaining customer service in the event of service interruptions.	2	5	10					Changes to be planned to ensure customer service is maintained	Assistant Chief Executive	Next review March 2017
6f	Increasing demands around information security create a risk in the event that security breaches occur	2	5	10					Review the IT security policies to ensure that they are fit for purpose and implement a training program for all staff.	Assistant Chief Executive	Next review March 2017

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

Risks Removed

1e The resource implications, including ICT, staffing and financial, of the UCC FSR are greater than anticipated. Removed July 15.

3b Failure to sustain adequate resource to support training and development because of the financial situation. Removed July 15.

3d Failure to provide effective and visible political and managerial leadership. Removed July 15

RISK MATRIX
JAN 17 - MAR 17

		<div> <div>Low Risks</div> <div>Medium Risks</div> <div>High Risks</div> </div>				
Scoring 1-5		<div> <div>Risk Tolerance Line</div> </div>				
Probability of Occurrence	5 Very High			4e	4d	
	4 High			2a 3a 4b 5b	5a	
	3 Medium		1a	1b 1d 1f 2b 4c	1c 5c 6a 3c 6b 6c 6d	
	2 Low				2c 4a 5d	6e 6f
	1 Very Low					
		1 Very Low	2 Low	3 Medium	4 High	5 Very high
Severity of Impact						

Removed Risks

1e The resource implications, including ICT, staffing and financial, of the UCC FSR are greater than anticipated. Removed July 15.

3b Failure to sustain adequate resource to support training and development because of the financial situation. Removed July 15.

3c Failure to provide effective and visible political and managerial leadership. Removed July 15

