

Audit and Risk Committee Agenda

17 June 2020 at 7.15pm (or upon the rising of
the Joint meeting with the Governance
Committee, whichever is the later)

Remote Meeting

Membership

Councillor N.M. Walsh (Chair)

and Councillors

D.J.R. Clark, P.H. Clark, N.A. Dudley J.S. Lardge, J.M.C. Raven,
E.J. Sampson, M. Sismey, and M.D. Watson

Local people are welcome to attend this meeting remotely, where your elected Councillors take decisions affecting YOU and your City. There is also an opportunity to ask your Councillors questions or make a statement. These have to be submitted in advance and details are on the agenda page. If you would like to find out more, please telephone Daniel Bird in the Democracy Team on Chelmsford (01245) 606523 or email daniel.bird@chelmsford.gov.uk.

Audit and Risk Committee

17 June 2020

AGENDA

1. Apologies for Absence and Substitutions

2. Minutes

To consider the minutes of the meeting held on 20 May 2020

3. Declaration of Interests

All Members are reminded that they must disclose any interests they know they have in items of business on the meeting's agenda and that they must do so at this point on the agenda or as soon as they become aware of the interest. If the interest is a Disclosable Pecuniary Interest they are also obliged to notify the Monitoring Officer within 28 days of the meeting.

4. Public Question Time

Any member of the public may ask a question or make a statement at this point in the meeting. Each person has two minutes and a maximum of 15 minutes is allotted to public questions/statements, which must be about matters for which the Committee is responsible.

The Chair may disallow a question if it is offensive, substantially the same as another question or requires disclosure of exempt or confidential information. If the question cannot be answered at the meeting a written response will be provided after the meeting.

Any member of the public who wishes to submit a question or statement to this meeting should email it to committees@chelmsford.gov.uk 24 hours before the start time of the meeting. All valid questions and statements will be published with the agenda on the website at least six hours before the start time and will be responded to at the meeting. Those who have submitted a valid question or statement will be entitled to put it in person at the meeting, provided they have indicated that they wish to do so and have submitted an email address to which an invitation to join the meeting and participate in it can be sent.

5. Announcements

6. Revenue Monitoring

7. Capital Monitoring

8. Internal Audit Annual Report 2019/20

9. Audit and Risk Committee Annual Report 2019/20

10. Review of the Audit and Risk Committees Terms of Reference

11. Audit & Risk Committee Work Programme

12. Urgent Business

To consider any other matter which, in the opinion of the Chair, should be considered by reason of special circumstances (to be specified) as a matter of urgency.

MINUTES

of the

AUDIT AND RISK COMMITTEE

held on 20 May 2020 at 7pm

Present:

Councillor N.M. Walsh (Chair)

Councillors D.J.R. Clark, P.H. Clark, N.A. Dudley, J.S. Lardge, J.M.C. Raven, M. Sismey and M.D. Watson

1. Apologies for Absence and Substitutions

Apologies for absence were received from Councillor Sampson. No substitutions were made.

2. Minutes

The minutes of the meeting held on 18 December 2019 were agreed as a correct record and signed by the Chair.

3. Declaration of Interests

All Members were reminded to declare any Disclosable Pecuniary interests or other registerable interests where appropriate in any items of business on the meeting's agenda. None were made.

4. Public Question Time

No questions were asked or statements made.

5. Announcements

No announcements were made.

6. Public Sector Audit Appointments (PSAA) Update

The Committee received a report which provided them with an update from PSAA on the issues faced during the 2018/19 audit of Local Authority accounts and related matters. It was noted that at its meeting in December 2019, the Committee asked for feedback from the Essex Finance Officers meeting when available.

The Committee heard that the report provided an update on various areas. It was also noted that the Council had responded to consultation on future fees, and that the Director of Finance had done this in consultation with the Chair, due to the dates falling between

meetings. The Committee heard that the Council had now received the final scale fee for 2020-21 from PSAA. It was noted that this was the same as previously but that there was scope for auditors to locally negotiate any increases if required. The Committee was informed that any increases would have to be signed off by themselves. The Committee was also reminded that due to pressures from Covid-19, there were now revised dates for the publication and audit of the 2019-20 accounts. It was noted that draft accounts needed to be published by 31st August and audited by 30th November.

In response to a question from the Committee, the Director of Finance stated that they would be talking with BDO at an early stage on any potential increases in fees.

RESOLVED that the report be noted.

(7pm to 7.15pm)

7. External Audit Annual Audit Letter

The Committee received a report on the Annual Audit Letter from BDO. It was noted that the letter summarised the key issues arising from the work they had carried out in respect of the year ended 31 March 2019. It was reported that the letter provided the Council with an unqualified audit opinion on the financial statements and value for money conclusion.

RESOLVED that the content of the Annual Audit Letter be noted.

(7.15pm to 7.21pm)

8. Audit Planning Report 2019/20 and Progress Update

The Committee received a report from BDO which set out the key matters for the 2019/20 Audit. The report covered various areas including, Scope and Materiality, Independence and Fees, Audit Risks and other matters. The report also updated members on progress so far with the 2019/20 Audit. It was noted that planning and interim visits had been completed early in 2020 which included updating the understanding of the Council as a whole and updating documents on financial systems and IT general controls. The Committee was informed that the impact of Covid-19 had led to the Government enacting legislation to push back the dates for submitting accounts and auditing them.

RESOLVED that the report be noted.

(7.22pm to 7.27pm)

9. Housing Benefit Subsidy Assurance Procedures 2018/19

The Committee received a report summarising the outcome of the agreed upon procedures in relation to the Council's 2018/19 housing benefit subsidy claim.

In response to a question from the Committee, it was noted that 40 initial cases were selected to test and it wasn't unusual to find errors initially. It was noted by BDO though that no particularly high error rates stood out.

The Committee noted that officers should be thanked for their excellent work on the year's subsidy claim.

RESOLVED that the report be noted.

(7.28pm to 7.34pm)

10. Internal Audit Plan – Covid-19 Response Phase

The Committee received a report updating them on the work being undertaken by the Internal Audit Team. It was noted that normally a report is provided every March, detailing the work to be undertaken in the following year, however due to Covid-19 this was no longer appropriate. The Committee heard that in response to Covid-19 the team's immediate priority was to work closely with risk management on potential issues and these were detailed in the report. The Committee also heard that a revised audit plan was being developed ready for the September meeting which would detail how the Audit plan would take shape later in the year. It was noted that this would still focus on key and emerging risks from Covid-19. The Committee heard that the audit opinion would be provided at the June meeting as usual and the team had been working effectively remotely.

RESOLVED that the report be noted.

(7.35pm to 7.42pm)

11. Internal Audit Charter 2020

The Committee considered a report which updated members on the Internal Audit Charter for 2020. The Committee heard that there had not been any material changes to the 2020 document.

RESOLVED that the report be noted.

(7.43pm to 7.45pm)

12. Risk Management Report

The Committee received a report updating them on Risk Management for Spring 2020. The report detailed the progress made in refreshing the risk management framework, the immediate priorities for 2020-21 and a summary of the revised principal risks taking into account Covid-19. It was noted that the immediate priorities were based on Covid-19 and working with other teams to ensure risks were minimised. The Committee also heard that a new integrated financial system was being implemented that would include areas such as risk and would help to improve information and reporting.

In response to questions from members it was noted that;

- The project panel needed to decide what level of access the Committee would have to the new risk software.
- There was a very marginal increase in costs needed to move to the new system and this was already budgeted for.
- The risk levels for areas such as Beaulieu station and the North East bypass would be decided by the officer leading the delivery and any specific questions would need to be answered by them.

RESOLVED that the report be noted.

(7.46pm to 7.58pm)

13. Accounting Policies for the 2019/20 Statement of Accounts

The Committee received a report updating them on the accounting policies set to be used in the preparation of the 2019/20 Statement of Accounts.

RESOLVED that the accounting policies to be used in the preparation of the accounts be approved.

(7.59pm to 8pm)

14. Audit and Risk Committee Work Programme

The Committee considered a report regarding training for its members and the updated proposed rolling programme of work. The Committee noted the extra meeting in November 2020, required to finalise the accounts.

RESOLVED that the proposed work programme be agreed.

(8.01pm to 8.02pm)

15. Urgent Business

There were no matters of urgent business brought before the Committee.

The meeting closed at 8.02pm.

Chair

Chelmsford City Council Audit and Risk Committee

17th June 2020

Provisional Revenue Outturn Report for 2019/20

Report by:

Director of Financial Services

Officer Contact:

Phil Reeves, Accountancy Services Manager, Email: phil.reeves@chelmsford.gov.uk, Tel: (01245) 606562

Purpose

This report is for noting and informs Members of the revenue outturn position for 2019/20.

Recommendations

1. It is recommended that the revenue outturn position for 2019/20 and actions arising be noted.
-

1. Introduction

- 1.1. This report sets out the provisional outturn position in respect of revenue expenditure and reserves for the financial year 2019/20.

Revenue expenditure is expenditure incurred in the day to day running of a business (not in creating capital assets) that you charge to the revenue account (in our case the General Fund) as soon as you incur it. By doing so, you are using the matching principle to link the costs to income generated in the same accounting period.

1.2. The presentation of the Provisional Revenue Outturn is part of the financial management process. Broadly the process is:

- Cabinet in January and then Council in February, receive budget recommendations for approval for the forthcoming financial year (starting 1st April)
- Informal monitoring of the budget takes place and is reported to Cabinet Members every two months or so.
- In July Cabinet and Council receive a Medium-Term Financial Strategy which includes a budget forecast for the next five years and identifies any shortfalls and associated risks
- Cabinet will receive a high-level report in November which will project the expected level of expenditure and income by the Council for that current year. It identifies actions to address overspends where possible. Cabinet is not asked to approve budget changes but consider the actions relating to the budget variance which for instance could include changes to service provision.
- Audit and Risk Committee receive the provisional Revenue Outturn report to review the key variances and actions identified. This will provide information on financial risks moving forward.
- The Council's Statement of Accounts would normally be approved by Audit and Risk Committee by the end of July, alongside the audit report from the external auditors. However, for the financial year 2019/20 due to the impact of Covid-19 new statutory dates have been set requiring the publication of the draft Accounts by August 31st and completion of external audit by the end of November. It is the intention of the Director of Finance to publish the Council accounts by the end of July. The revenue outturn position is only finalised on completion of the external audit, so the position is currently provisional.

2. Provisional Revenue Outturn 2019/20

2.1. Appendix 1 contains the outturn position in the format of the Revenue Monitoring report. A brief overview is:

- Page 1, contains a diagram identifying whether the services' budgets are over or underspent. The provisional outturn is £2.16m or 13.9% overspent. The implications and actions required arising from this overspend are discussed in Paragraph 3 below
- Page 2 shows a list of key material variations that make up the overspend. These pages show the amount and the cause of each variation. They also identify the actions which are recommended to manage each variation. For each affected service, action or variance, the report identifies associated risks.

The key projected service variations are:

Narration of Approved Spend/Funding	Outturn +overspent /- under budget £000s	Projection overspend reported to Cabinet November 2019 £000s
COVID 19 loss of income	404	
Staffing costs	264	
Riverside -Revalued rates & income lower	263	236
Hylands House – income and expenditure	146	132
Temporary Accommodation	716	403
Software licences	135	45
Riverside Utility Costs	252	130
Recycling & Waste	172	95
Car Parking Income	181	
Significant One-off Income -licence of land	-441	
Other (less than 2% of budget)	72	278
Total Projected Variation	+2,164	+1,319

- Page 3, contains details on Council budgets that are not managed by services but are central corporate costs or income. For each item, any variances, actions and risks are again identified. The variations are:

Narration of Approved Spend/Funding	Outturn +overspent /- under budget£000s	Reported November Cabinet £000s
Interest Earnings -higher than expected	-210	-158
Debt Repayment (MRP)	-158	-200
Revenue Funding of Capital*	-5,589	0
Other Grants	-36	0
Business Rates*	-270	0
Total Projected Variation	-6,263	-358

*please see paragraph 3 Implications for Financial Planning

- Page 4, contains an explanation of the variances in the use of reserves. These are discussed further in financial planning paragraph below.

2.2. The service budget includes several approvals made under delegations, which are:

Narration of Approved Spend/Funding	£000s
Parks Safety Improvement works	28
Depot Supervisor re-gradings	22
Digital Portfolio Office (funded from Reserves)	36
Enterprise Resource Planning software - Finance Module (revenue costs transferred from capital budget)	160
Other	82
Total	328

3. Implications for Financial Planning

- 3.1. The Council though in receipt of significant additional Government funding for Covid-19, some £1.8m at the time of writing, will need to adjust its financial planning. There will be in the next few months a number of documents provided to members including a July Cabinet and Council report on the financial position.
- 3.2. **Appendix 1** identifies a number of actions arising from the Revenue Outturn, these will feed into the Council's financial management and its financial strategy. Within the actions identified there are lessons learned, which are key to improving future financial management.
- 3.3. One key action identified is undertaking of a review of the last three years actuals compared to the 2020/21 budget to determine where budgets need to be increased or realigned. This exercise is unlikely to deliver any net savings given the high level of Service overspend in 2019/20. The exercise is likely to identify a need to increase budgets where those overspend occurred and may allow some re-alignment from areas of underspend. The results will be fed into the July update on the Council's budget.
- 3.4. The 2020/21 budget does allow for some of the additional costs and loss of income identified in 2019/20 outturn, as many of these were identified in the revenue monitoring process in 2019/20. Additional funding added to 2020/21 budget:
 - Housing £287k
 - Digital Services £290k
 - Operational Services funding for city growth £165k

- Hylands House £60k
- Riverside £117k

- 3.5. The financial outturn has been prepared using a number of assumptions that are different to those proposed in the Council's approved financial strategy and budget. This has been done to enable Members to review some of the actions likely to be necessary to manage the financial challenges the Council faces, mostly flowing from Covid-19, these changes are:
- £5.6m of funding for the capital programme budgeted to be funded from revenue in 2019/20 has instead been transferred into the General Balance. The Director of Finance is recommending that internal borrowing is used in its place to fund the capital programme. The saving in revenue (increase in general balance) releases funds to cover the costs and risks of the Covid-19 outbreak. The £441k from a temporary Land Licence was due to be transferred into the Chelmsford Development reserve to fund capital in later years, this is also being shown as part of the General Balance (unearmarked reserves).
 - An additional contribution to the Insurance Reserve (£0.4m) to ensure the reserve meets the required levels identified in the latest Actuarial Report.
 - The accounting arrangements placed on the Council for the Business Rate Retention scheme are complex and though the report identifies £3.267m of income (an additional £270k) in fact only £1m is available for use by the Council and this has been transferred into the General Fund balance. The remaining income is transferred into the Business Rate Retention Reserve and will be paid out to Government in later years. Please note the Essex business rate pool for 2019/20 has not yet been finalised and therefore income from the pool is for prudence assumed to be nil. In June the Council may receive additional income from the pool.
- 3.6. A detailed table of reserves for the end of 2019/20 is shown below. A key issue arising from the outturn is an unbudgeted use £2.6m of Unearmarked Reserves (General Balance). This unplanned use is broadly a result of £2.2m of service overspends and a £0.4m recommended additional contribution to insurance reserve. The total unearmarked reserves of £9.9m is only achieved by the unplanned transfer of what would have been revenue financing of the capital programme (see paragraph 3.5). The Council will need to consider what is an appropriate level of reserves in the context of Covid-19, in July in its Medium-Term Financial Strategy.

Reserves - Actual 2019/20							
	Opening Balance	Net Budgeted - change in Reserves	Budgeted transfers	Closure Transfers	Business Rate Retention Income	Net Unbudgeted change in Reserves	Closing Balance
	£000s	£000s				£000s	£000s
Carry forwards	149	-142	0	0		43	50
Business Retention reserve	37	2,648	0	0	-1,156	425	1,954
Earmarked Reserves							
Cultural Support 'Fund'	154	0	0	0		0	154
Chelmsford development	0	0	0	-4,467		4,467	0
Future Replacement of assets	0	0	0	-1,741		1,741	0
Digital Strategy reserve	76	-22	0	0		-54	0
Growth fund	97	0	0	0		-28	69
Insurance	809	200	0	0		174	1,183
Local Development Framework	272	-257	500	0		127	642
Pension deficiency	1,163	1,399	1,000	0		-192	3,370
Park and Ride	178	0	0	0		35	213
Hylands House Reserve	10	0	0	0		-7	3
Housing Initiatives	0	0	0	0		0	0
DPO Reserve	0	-42	150	0		0	108
Project Evaluation Resrve	0	0	0	0		0	0
	2,759	1,278	1,650	-6,208	0	6,263	5,742
Total Earmarked Reserves	2,945	3,784	1,650	-6,208	-1,156	1,015	7,746
Unearmarked Reserves							
General Balance	4,693	-642	-1,650	6,208	1,156	-2,848	6,917
Contingency	3,491	-450	0	0		0	3,041
	8,184	-1,092	-1,650	6,208	1,156	-2,848	9,958
Total Reserves	11,129	2,692	0	0	0	-1,833	17,704

4. Conclusion

- 4.1. The Council's revenue position for 2019/20 was significantly overspent and although the budget for 2020/21 had anticipated some of the material issues, the financial outlook is increasingly challenging.
- 4.2. The report identifies a number of next steps which will impact on financial planning and the Medium-Term Financial Strategy Report for July Council. These will be key in delivering a sustainable financial position which supports the Councils' objectives.

List of appendices:

Appendix 1 – Chelmsford City Council Outturn Position for 2019/20

Background papers:

Nil

Corporate Implications

Legal/Constitutional:

None

Financial:

As detailed

Potential impact on climate change and the environment:

None

Contribution toward achieving a net zero carbon position by 2030:

None

Personnel:

None

Risk Management:

None

Equality and Diversity:

None

Health and Safety:

None

Digital:

None

Other:

None

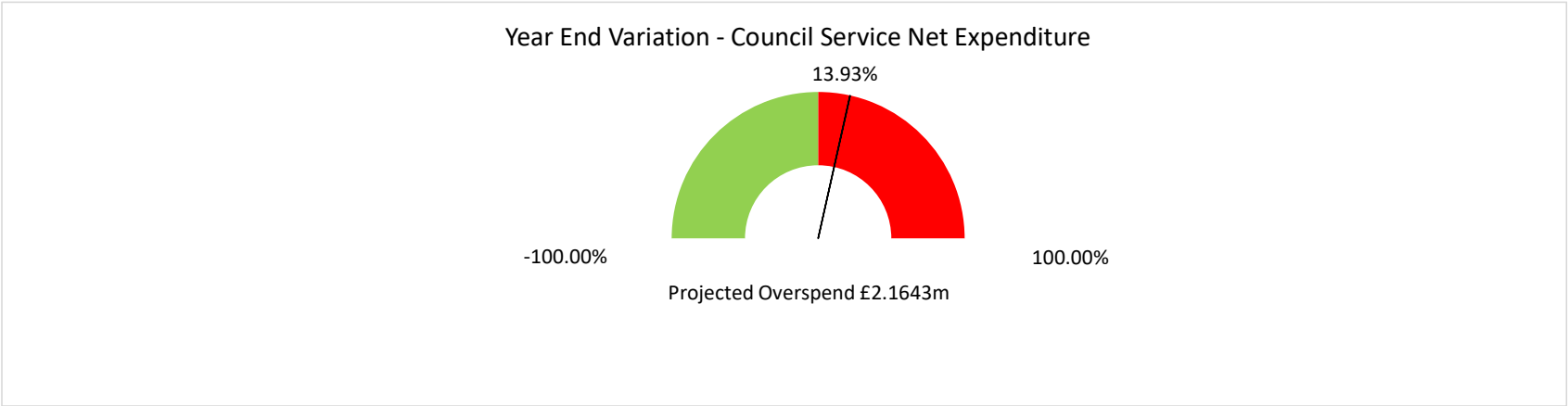
Consultees:

None

Relevant Policies and Strategies:

Medium-Term Financial Strategy.

Chelmsford City Council Outturn Position for 2019/20

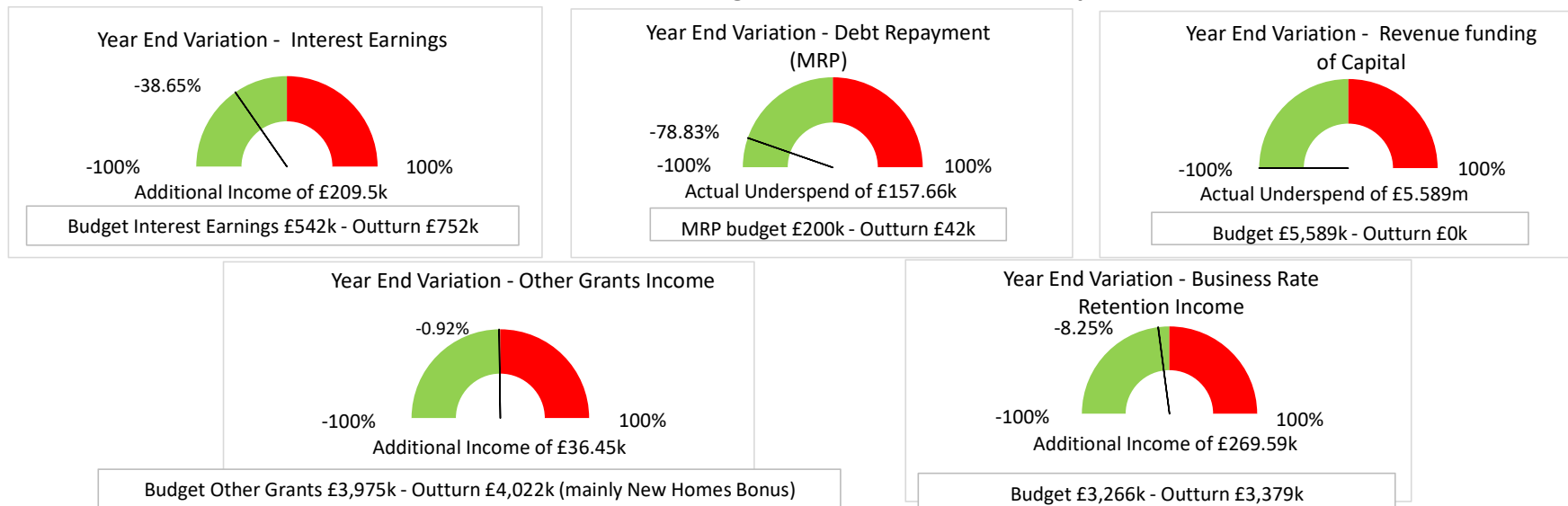


Please see comments on the next page

The overspend above is made up of a number of one-off items that are not expected to impact on future financial years and a number of ongoing items that have been reflected in the 2020/21 budgets.

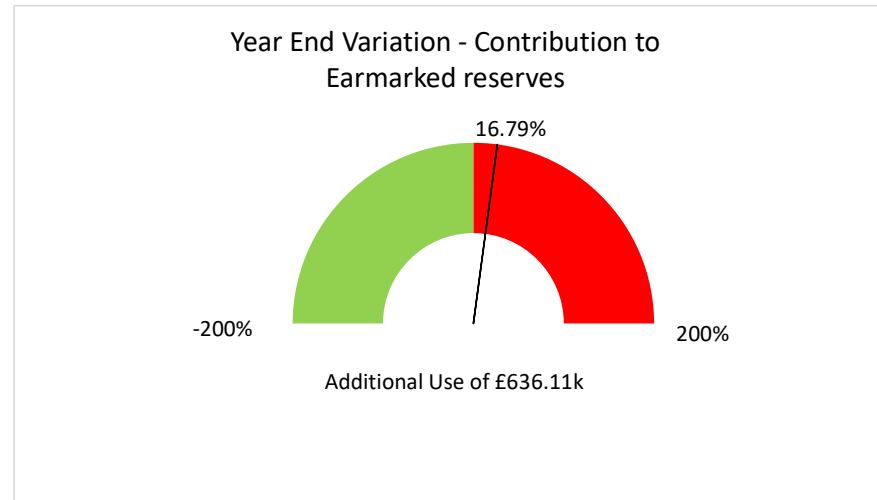
Note	Key Variations	Actions	Risks
1)	£404k loss is the financial consequence of Covid-19 in 2019/20 . Decreased income in the Council's Car Parks, Leisure Centres, Hylands House and the Market	The impact of Covid-19 is being monitored regularly and reports made to government. The cost will be met from General Balances in line with financial strategy. Briefing and reports will be made to Members.	Not all additional costs and reduction in income is met by government as a result of Covid-19, either leading to depletion of reserves or potentially expenditure cuts.
2)	£264k of staffing overspend on Riverside, Parks and Recycling and Waste and Street Care Services	A review of the Riverside budgets is taking place and the 2020/21 budgets allow for increased costs in Recycling and Waste and Street Care Services for city growth of £165k	Budgets need to be increased to reflect necessarily staffing levels
3)	£263k over budget on Riverside due to £93k less income than budgeted due to opening in June with budget based on April opening, and £170k over budget on Business Rates	A review of the budget is taking place, however, Covid-19 will impact significantly on the operation of the Leisure Centre in 2020/21. Additionally, consideration will be given on how to improve the monitoring of income. The revaluation of Business Rates will be appealed against which may result in a refund and <u>reduction in future years</u>	Covid-19 continues to prevent the leisure centre from opening. The levels of ongoing use of the centre are reduced by changes in social behaviour as a consequence of Covid-19. The appeal is unsuccessful and there is an ongoing impact of the Business Rates revaluation
4)	£146k less income than budgeted for 2019/20. 2018/19 Hylands income was an ambitious £1,097k with a final position of £957k. For 19/20 the original budget of £1,207k set has proven unachievable.	Costs and income have been reviewed and actions have been put in place to continue the long term trend of income growth. Allowance for this has been made in the 2020/21 budgets.	Covid-19 continues to prevent Hylands from opening and income budgets are further hit in 2020/21 and later years.
5)	£716k overspend due to the cost and demand pressures for Temporary Accommodation and the resultant effect on Temporary Accommodation Subsidy Loss. Higher than budgeted repair costs and voids have led to an increased overspend compared to the last monitoring.	Following on from the restructure of the Housing Service, there are three areas of focus; prevention of homelessness, review of costs and supply of temporary accommodation and increasing the supply of affordable accommodation. £215k has been added to the Housing budgets in 20/21 compared to 19/20 and a further £72k was added to the Subsidy Loss budget in 20/21. These budgets were added in to reflect the trend at the time that caseload was reducing in temporary accommodation. Covid-19 now looks likely to change this and therefore have a <u>further impact on the budgets</u>	Insufficient supply of suitable accommodation results in increased length of stay/rising numbers remaining in Temporary Accommodation. Repair costs for void properties continue to rise. Covid-19 damages the economy further and puts more people at risk of homelessness.
6)	£135K net overspend due to Software Licence variations.	The 2020/21 budgets have allowed for these additional costs.	Slippage of programme due to inability to recruit to vacant roles in Digital Services
7)	£252k over budget on Riverside utility costs	£56k relates to a one-off payment for unbilled usage from 18/19. Electricity is higher due to the new and old centre operating simultaneously and the CHP unit not being set up efficiently to begin with. Work is currently ongoing with consultants to achieve the optimum balance for the energy systems to reflect patterns of consumption for different facilities (eg ice/ pools), the environmental conditions and to ensure the available controls are used to best affect. The <u>expected outcome is a gradual reduction in energy use</u>	One-off overspends are ongoing
8)	£172k over budget on Recycling and Waste and Street Care services fleet costs, predominantly repairs	Budget to be reviewed for 2020/21 and stock parts journal to be completed every month to allow more effective monitoring	The costs of fleet maintenance are difficult to forecast and will vary year on year depending on the cycle of replacement vehicles.
9)	£181k reduction in car parks income due to the closure of Waterloo Lane 3 Car Park and reduced footfall/competition for retail car parks	Waterloo Lane 3 Car Park has reopened and the impact of Covid-19 on car park incomes will be monitored.	Covid-19 has a long-term impact on car parking income due to an increase in home-working
10)	A number of one-off items are of note as they reduce the level of overspend, including £127k of planning expenditure on the Local Development Framework (rephased to later years) and £441k of additional income from a short term licence of land	A review of the Council's last three years of expenditure is being undertaken to resolve any ongoing or one-off budget issues. The findings will be included in the Medium Term Financial Strategy and Forecast	Risk that material one-off income is obscuring ongoing financial overspends/insufficient budgets to deliver services.

Other General Fund Budget Items of Income and Expenditure

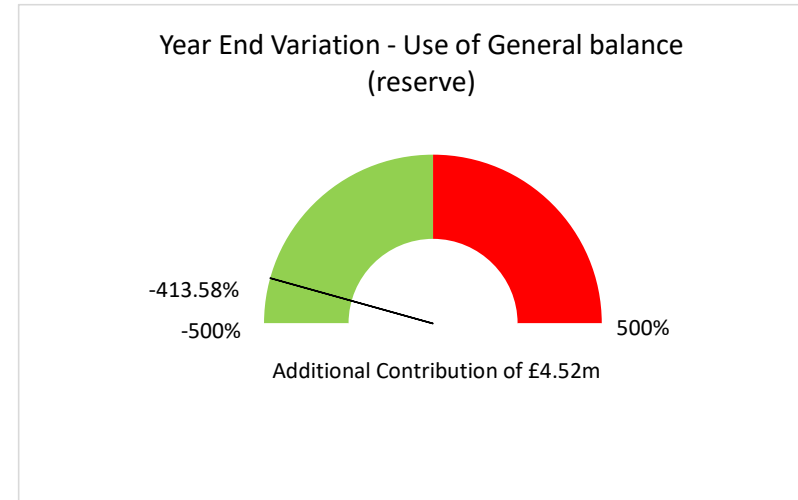


Note	Key Variations	Actions	Risks
1)	There was additional income of £210k achieved for interest earnings in 19/20, largely due to higher cash balances than initially forecasted.	Review approach to setting interest income budget to try to capture additional benefit of higher cash balances	Covid-19 will considerably reduce the Council's cashflow over 20/21 and so interest earnings will be reduced as a result. The Bank of England base rate cut has also further reduced the likelihood of higher interest earnings in the coming year
2)	The debt repayment cost is the annual charge to revenue for repaying either internal or external debts. The Council MRP is calculated in line with standard practice.		
3)	This budget includes funding of the capital programme by making a direct charge to the Council's Revenue account. The Director of Finance is recommending that internal borrowing is used instead to fund the capital programme. The saving in revenue releases funds to cover the costs and risks of the Covid-19 outbreak. The increase in borrowing will create an additional revenue financing cost of £150k (indicative) per year.	The revenue underspend on these items is used to increase the level of unearmarked reserves. This will be reported to Council as part of the July MTFs report for discussion and approval if acceptable.	If the saving is spent on Covid-19 consequences, then the Council's ongoing revenue cost for internal/external borrowing will increase.
4)	The business rate retention scheme has a number of abnormalities, one of which is that income is taken into the revenue account that may have to be paid out in later years. Some £1.9m of the business rate retention income for 2019/20 will be paid out to Government in later years. Additionally the Essex Pool for business rates will not be finalised until at least June. Given the uncertainty around Covid-19, the late closure means the actual amount of income could rise or fall. The budget assumed £1m of income deriving from the pool which was to be transferred into the Business rate retention reserve	Some £1.9m of the Business rate income is transferred into the Business rate timing reserve, to be paid to Government in later years. The surplus after that transfer will be taken into the Council's unearmarked reserves (general balance) in 2019/20. On finalisation of the Essex Business Rate pool a further transfer to or from reserves will be made.	Business Rate income is difficult to predict and though the Council benefits from being in an Essex wide pool, this also increases volatility/risk.

Use of Reserves



The budget for contributions to earmarked reserves is £3.83m. The budget is predominantly a contribution of uncertain business rate income to a holding reserve until the income is deemed sufficiently certain to release to the general balance. There are variations for net movements for other reserves; pensions (additional use above budget) and Local Development Framework expenditure (less use). However, the additional use of reserves is predominantly down to £1m of business rate retention being sufficiently certain that it is being transferred into the General balance (unearmarked reserves) rather than earmarked reserves. There have also been additional contributions to the Insurance Reserve (£0.4m) to ensure the reserve meets the required levels identified in the latest Actuarial Report in October 2019.



The above variance is a result of the other variations from the previous graphs, resulting in an additional contribution to the General Fund of £4.52m. This is predominantly due to the decision to not contribute to Capital reserves this year (some £6m), in order to increase the General Fund balance amidst the ongoing uncertainty of Covid-19. The transfer into the reserve masks that the Council had to draw down from the General Balance around £2.5m above the approved budget to fund; £2.16m of service income shortfalls & overspends plus a £0.4m contribution to the insurance reserve in 2019/20.

SUMMARY

The Council service budget for 2019/20 was overspent by £2.16m. November Cabinet Revenue Monitoring report projected a £1.3m overspend. The comments in the service section above outline some of the reasons for this difference. The 2020/21 budgets included additional budget in service areas with the most financial pressures. This should have reduced the risk of a third year of service budget spend in 2020/21, however, Covid-19 is almost certainly going to cause an overspend in 20/21.

The impact of Covid-19 is being monitored regularly with a return being sent to government periodically. The threat of Covid-19 to the Council's finances and reserves is also being monitored and actions will have to be taken to mitigate the effects of this.

Chelmsford City Council Audit and Risk Committee

17th June 2020

CAPITAL PROGRAMME UPDATE AND PROVISIONAL OUTTURN 2019/20

Report by:
Director of Financial Services

Officer Contact:
Sue Jones Tel: (01245) 606519, Email sue.jones@chelmsford.gov.uk

Purpose

- a) To report the capital expenditure incurred in 2019/20.
- b) To provide an update on the approved Capital Schemes and variations in cost which have been identified at outturn and to date.
- c) To provide an update on the approved Asset Replacement Programme for 2019/20 and 2020/21 for variations in cost and timing which have been identified at outturn and to date.

Recommendations

It is recommended that

- 1. The report be noted, and
 - 2. Any comments be passed on to Cabinet
-

1. Background

The Council has a long-established process of preparing formal monitoring reports comparing its forecast expenditure and income with the approved estimate and reporting these to Management Team on a regular basis. These reports are also supplied to all Cabinet Members.

2. Introduction

There are two types of expenditure, capital and revenue.

Capital expenditure relates to the acquisition or enhancement of assets, which have a useful life in excess of 12 months and are charged to the Council's balance sheet and shown as fixed assets (a fixed asset being an item that can be in use for more than one year). To be an enhancement the expenditure on the asset must either lengthen substantially the useful life of the asset, increase substantially the open market value or increase substantially the extent to which the Council can use the asset.

Revenue costs are ongoing. They are incurred to run an asset or to provide a service.

3. Capital Programme

The capital programme is split between larger schemes (works, improvements and refurbishments) and an asset replacement programme.

Services submit bids annually for schemes to be added to the capital programme. The schemes should add value to the organisation, provide revenue savings or additional income, move forward the Corporate Plan Objectives or have statutory/health and safety implications.

The Asset Replacement Programme is required to maintain the existing level of service delivery by ensuring there is provision to replace items of equipment and vehicles on a regular basis. Approval of individual items is on an annual basis.

4. Capital Resources

Capital expenditure is funded in a number of ways, which may include grants, receipts, third party contributions, contributions from revenue and the use of external leasing.

When capital resources are spent the amount available to invest is reduced and therefore the amount of interest income received is reduced, which in turn affects the revenue budgets available and can result in the need to increase council tax.

5. Capital Reporting

A 'Capital Programme Update' report is taken to Cabinet in January and a 'Capital Programme Update and Outturn' report is taken to Cabinet/Council in July each year.

It is important to closely monitor capital expenditure as this allows judgements to be made for the Council's cash investments. If a large scheme is likely to be delayed this will provide an opportunity to invest the money until it is required, therefore increasing interest earnings.

6. Methods of Approval

New schemes submitted by services are recommended by Cabinet in January and approved by Council in February each year.

During the year, approval can be sought for further schemes or extensions to existing ones via supplementary approval or the use of urgency letters depending upon the level of expenditure required. An urgency letter authorises the Leader of the Council and Chief Executive to incur additional expenditure in extraordinary circumstances.

When schemes are approved, they are added to the capital programme and monitored throughout the year.

7. Capital Schemes

7.1 Monitoring Against Latest Approved Budgets

Appendix 1 gives the overall capital outturn information for the completed Capital Schemes at the end of March 2020 and the latest forecast expenditure for the ongoing scheme costs. It identifies the variances in total individual scheme costs.

- 7.2 **Appendix 1** shows that the proposed cost of the Capital Schemes has reduced by a net £266k against the latest approved budget of £144.822m, or 0.18% of the overall Capital Schemes' costs.

Approved Budget	£144.822m
Proposed Reductions in Scheme Costs	-£0.168m
Proposed Increases in Scheme Cost Requires Approval – see Appendix 1 Scheme number 27 Hylands Park Toilet Refurbishment	£0.078m
Actual Increases in Completed Scheme Cost	£0.004m
Actual Reductions in Completed Scheme Costs	-£0.180m
Total Proposed Budget	£144.556m

- 7.3 **Appendix 2** provides narratives, for those variances in excess of £25,000, against the Latest Approved Budget.

- 7.4 **Appendix 1** shows that there are some schemes reported as being delivered late. Those schemes are reliant upon conditions outside the control of Project Officers such as obtaining planning permission and consents and paying over CIL and S106 grants to third parties which are dependent upon works they have completed. The delay in the spend is favourable to the Council in terms of investment and returns.

8. Asset Replacement Programme

8.1 Monitoring Against Latest Approved Budgets

Appendix 3 shows that the final outturn for 2019/20 compared to the approved budget of £3.353m was a reduction of £40k, or 1.19%. Of this, £132k has been moved forward to 2019/20 or later years. The table over page provides a summary.

Approved Budget 2019/20	£3.353m
Proposed Change in scheme phasing	-£0.129m
Variation in Asset Replacement Cost	-£0.043m
Total Outturn 2019/20	£3.181m

8.2 **Appendix 3**, also shows that the proposed budget for 2020/21 asset replacements is £5.346m compared to the approved budget of £5.212m. This is a net increase of £134k, or 2.57%. £129k is due to the asset replacements being delayed from 2019/20 until 2020/21. The table below provides a summary.

Approved Budget 2020/21	£5.212m
Proposed Change in scheme phasing from 2019/20 Requires Approval – For detail see Appendix 3 2020/21 column “Rephasing from 2019/20 – Requires Approval”	£0.129m
Proposed New Spend to be added to the Replacement Programme Requires Approval – see Appendix 3 2020/21 column “New Budget Asset Replacements Requires Approval”	£0.000m
Increases in Asset Replacement Cost Requires Approval – For detail see Appendix 3 2020/21 column “More/Less Than Approved Budgets – More Requires Approval” Line no. 11.	£0.005m
Reduction in Asset Replacement Cost to be noted	-£0.000m
Total Proposed Budget 2020/21	£5.346m

8.3 **Appendix 4** provides narratives, for those variances in excess of £25k, for 2019/20 and narratives for those variances in excess of £25k for 2020/21 against the Latest Approved Budgets.

9. Funding of Programme

9.1 This will be reported to Cabinet.

10. Conclusion

- 10.1 The total cost of the Capital Schemes is forecast to be a net £266k less than the latest approved budget.
- 10.2 There are some large schemes which have not been delivered against the originally agreed milestones due to circumstances outside of the control of the Project Officers.
- 10.3 The 2019/20 Asset Replacement Schemes are £172k less than the latest approved budget. £129k of this variation, is due to moving the budgets forward into 2020/21. The realignment of the asset replacement budgets into later years is favourable to the Council as it delays the commitment of capital resources
- 10.4 The 2020/21 Asset Replacement Schemes are forecast to be £134k more than the latest approved budget. The majority of this is due to the realignment of budgets from 2019/20.

List of Appendices

Appendix 1 Capital Schemes - For each capital scheme, a comparison of the budgeted expenditure against the completed Schemes Outturn or with the Directors of Service forecast for the ongoing scheme.

Appendix 2 Capital Schemes Major Variations Narratives.

Appendix 3 Asset Replacement Schemes for 2019/20, a comparison of the budgeted expenditure against the Outturn.

Also, the Asset Replacement Schemes for 2020/21, a comparison of the budgeted expenditure against the Directors of Service forecast.

Appendix 4 Asset Replacement Schemes Major Variations Narratives for the years 2019/20 and 2020/21.

Background papers:

Nil

Corporate Implications

Legal/Constitutional:

None

Financial:

As detailed

Potential impact on climate change and the environment:

None

Contribution toward achieving a net zero carbon position by 2030:

None

Personnel:

None

Risk Management:

None

Equality and Diversity:

None

Health and Safety:

None

Digital:

None

Other:

None

Consultees:

None

Relevant Policies and Strategies:

Medium-Term Financial Strategy.

		CAPITAL SCHEMES	VARIATION IN TOTAL CAPITAL SCHEME COSTS						
			Latest Approved Budget - Approved Council February 2020 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
Outturn 31st March 2020			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
		Connected Chelmsford							
2,086	1	Museum Heritage Lottery Fund (HLF) Works	1,990	98	2,088	-2	2,086	Completed	Approved at Council February 2017. Scheme cost reviewed in line with HLF award and split of expenditure between capital and revenue has changed, therefore amount available as capital has reduced. Report taken to September 2017 Cabinet. Additional PM salaries approved July 2018 £29k. Latest forecast cost reported to Museum Project Board October 2018 includes £55k contingency. An additional £10k has been approved by delegation and funded by S106 for works required by the HLF. An additional £2k approved by Cabinet November 2019.
75	2	Museum Oaklands Park External Works and Signage	71	10	81	-6	75	Completed	Supplementary estimate approved for new scheme 29/4/19. Additional estimate approved £10k September 2019 to be funded by S106.
	3	Theatres' Toilets Phase I	155		155		155	NEW	Approved at Council February 2020 and programmed for 2021/22
	4	Theatres' Modernisation Phase I	100		100		100	NEW	Approved at Council February 2020 and programmed for 2022/23. Delegated authority to Director and Cabinet Member for Connected Chelmsford.
		Fairer Chelmsford							
3,461	5	Acq. Land Wharf Road and Future Development	5,000	-664	4,336	-77	4,259	In Negotiations	Approved Council July 2016.
1,333	6	Enabling Lockside Growth Area	450	4,050	4,500		4,500	In Negotiations - Late delivery	A Report taken to Cabinet in March 2018 requesting £4.5m and recommended to go on for Council approval. As there was a requirement to spend the budget earlier than the Council approval in July 2018 a sum of £450k was approved via an urgency. The remaining budget for the scheme was approved by Council in July 2018.
	7	Homelessness Initiatives - Acquisition of Property for Temporary Accommodation		567	567		567	Yes	Unspent budget following the completion of the Modular Unit schemes. Agreed by delegation to purchase property for use as temporary accommodation.
949	8	Investment for Future Development - Riverside Demolition	940	30	970		970	Completed	Approved at Cabinet June 2018. Additional £30k approved at Cabinet November 2019.
11	9	Acquisition of Land adjacent to Waveney Drive	11		11		11	Completed	Supplementary estimate approved March 2019
20	10	Galleywood Hall Development Industrial Units	1,200		1,200		1,200	Awaiting planning permission - Late Delivery	Approved at Council February 2019
	11	Bridge Repairs	300		300		300	No	Approved at Council February 2019. May 2020 non urgent works deferred to later year.
	12	Land Acquisition Cemetery/Crematorium	1,800	1,800	3,600		3,600	To identify potential Land Site	Approved at Council February 2019. Additional £1.8m approved Council February 2020.
31	13	Refurbishment Bancrofts Road Office	30		30	1	31	Completed	Approved Cabinet 19/11/19. Forecast to generate additional income of £15k per annum from rent.
3,570	14	Acquisition of Investment Property	3,600		3,600	-30	3,570	Completed	Approved by Council 22/1/2020
	15	High Chelmer Roof	1,500		1,500		1,500	NEW	Awaiting Proposal
	16	Refurbishment of Commercially Leased Properties	720		720		720	NEW	Under Review
	17	Strategic Property Purchase	10,000		10,000		10,000	NEW	Under Review

			Latest Approved Budget - Approved Council February 2020 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval					
Outturn 31st March 2020			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s				
	18	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy	7,000		7,000	-1	7,000	NEW	Business Case to be Developed	Approved at Council February 2020 and currently programmed for 2020/21. Delegated authority to Director and Cabinet Member for Fairer Chelmsford.	
	19	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing	9,900		9,900		9,900	NEW	Business Case to be Developed	Approved at Council February 2020 and currently programmed for 2020/21. Delegated authority to Director and Cabinet Member for Fairer Chelmsford.	
		<u>Greener and Safer Chelmsford</u>									
	20	Cemetery and Crematorium Infrastructure	6,800		6,800		6,800	NEW	Business Case to be Developed	Approved Council February 2020 with a delegation for Cabinet to approve a final scheme.	
39	21	Mayor's Parlour Refurbishment	49	-9	40		39		Completed	Approved supplementary estimate February 2018.	
329	22	Coval Lane Window Replacement	250	100	350		350		Yes	£250k approved Council February 2019. Additional £100k approved at Cabinet July 2019.	
	23	Civic Offices Improvement Programme	460		460		460	NEW	Under Review	Approved Council February 2020 with a delegation for the Director and Cabinet Member for Safer and Greener Chelmsford to approve a final scheme.	
159	24	Community Safety Partnership Hub	171		171		159		Completed	Approved supplementary estimate May 2018.	
4	25	Community Flood Improvements	184		184		184		Third party Dependent - Late Delivery	Capital grant received to enable the works to be completed. This scheme was approved by Cabinet in June 2017.	
84	26	Legionella Safety Works Showers and Changing Rooms Various	94		94		-10	84		Completed	£94k approved Council February 2019
	27	Hylands Park North Kiosk Toilet Refurbishment	60		60	78	138		Under Review	£60k approved Council February 2019. Scheme rephased to later year and extent of works under review. Scheme cost may increase to £138k	
126	28	Hylands Estate Structural Work to Pleasure Garden Pond	147		147	-8	139		Yes	£147k approved Council February 2019	
32	29	Hylands' Hanbury Memorial Garden	45		45		45		Yes	Approved via supplementary estimate 2/9/19 funded by a contribution from The Friends of Hylands House (FOHH)	
	30	Galleywood Common Access Road Improvements	30		30		30	NEW	Yes	Approved at Council February 2020 and programmed for 2021/22.	
	31	Saltcoats Park and Compass Gardens Car Park	253		253		253	NEW	Yes	Approved at Council February 2020 and programmed for 2021/22.	
	32	Beaulieu Park Pavilion Refurbishment	57		57		57	NEW	Yes	Approved at Council February 2020 and programmed for 2021/22.	
	33	Chancellor Park Pavilion Works	46		46		46	NEW	Yes	Approved at Council February 2020 and programmed for 2021/22.	
	34	Rivers and Waterways Improvements	600		600		600	NEW	Scheme to be developed	Approved at Council February 2020 with a delegation to the Director and Cabinet Member for Greener and Safer Chelmsford. Programmed over 3 years commencing 2021/22.	
251	35	S106 Parks and Open Spaces	271	-8	263	-12	251		Completed	Approved delegation S106 report taken to Council in July. Schemes fully funded by S106. £23k scheme removed as funding being used for 22 above. Additional budget approved for Bellmead Bridge, supplementary estimate approved for £15k September 2019 to be funded from S106 contribution.	
9	36	CIL Landscape Enhancement Scheme Chignal Road	11		11		11		Yes	CIL funding approved October 2018 Chignal Road Landscaping scheme approved February 2019 Council.	
	37	CIL Parks and Open Space	6		6		6		No	£6k CIL funding approved July 2019 for Coronation Park Basketball Court.	
	38	CIL Savernake Road Scout Hut Replacement Windows	4		4		4		No	Approved via delegation as per CIL report March 2019 £4k for windows, CCC owned building.	

			Latest Approved Budget - Approved Council February 2020 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval					
Outturn 31st March 2020 £000s		SCHEME DESCRIPTION	Original Approved Scheme Budget £000s	Additional/ Reduced (-) Approved Budget £000s	Latest Approved Budget £000s	More/(Less) Than Approved Budgets £000s	Proposed Budget £000s		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
519	39	Chelmsford Indoor Market Refurbishment	500	150	650	-50	600		No	Approved supplementary estimate February 2018. Scheme design is still to be finalised. Additional supplementary estimate approved for £200k December 2018 in order to implement the preferred design with suspended ceiling. Estimate reduced by £50k. New budget reported Council February 2020.	
40,056	40	Riverside Ice and Leisure Centre Scheme	950	39,216	40,166				Building Works Completed	£700,000 approved Council July 2015. £60,000 budget vired to fund conversion of outdoor pool to car park. £180K approved April Cabinet for Project Manager and a further £945K approved June Cabinet for the design to RIBA stage 7. £400K approved at October 2016 Cabinet for early enabling works (main contractor). Additional £1m approved Cabinet April 2017 for early works. Additional early works required a further £500k, approved in June. £250k approved for Cafe fit out at Council February 2018. Full scheme cost excluding cafe approved at July 2018 Council as £35.216m. Additional £4.5m approved at February 2019 Council. Additional £200k approved by Cabinet November 2019.	
55	41	Riverside Changing Places Grant - Sensory Equipment	55		55				Completed	ECC have awarded a £40k grant for installation of sensory equipment in the new pool facility. A £15k grant was received in 2017/18 and will be used to purchase dryside changing equipment.	
17	42	Riverside Changing Places Grant - Pool Pod	17		17				Completed	£17k Pool pod approved via supplementary estimate 12/7/19 with £14k funding from ECC Changing Places Grant	
22	43	Riverside Elevations	2,000		2,000				Under Review	£2m approved at Council February 2020 with delegation to Cabinet to approve detailed scheme.	
35	44	Dovedales - Grant for Works	21	14	35				Completed	£21,000 approved via Supplementary estimate October 2017 for replacement sports hall floor 50% contribution. £24k approved at Council 2018 for grant towards replacing radiant heating. Cost of works reduced budget adjusted.	
29	45	Dovedales - Grant for Works 2019/20	32	2	34				Completed	Approved at Council February 2019 contribution towards new studio. Additional £2k approved November 2019 cabinet based on actual spend.	
	46	Dovedales - Grant for Works 2020/21	42		42				NEW	Approved at Council February 2020 and programmed for 2020/21.	
95	47	SWFLC Wet Changing Rooms Upgrade Phase 2	104		104				Yes	£104k approved at Council February 2019	
	48	CSAC Refurbishment of Changing Room	42		42				Under Review	£42k approved at Council February 2019. Deferred to 2021/22 scheme will be reviewed.	
89	49	Hylands House Refurbishment First Floor Accommodation	174		174				Yes	£174k approved at Council February 2019 3 year programme for refurbishment	
24	50	Hylands House Refurbishment Terrace Room	35		35				Yes	£35k approved via supplementary estimate December 2019. Scheme funded by contribution from Friends of Hylands House	
	51	Hylands House Banqueting Room Refurbishment	24		24				NEW Yes	Approved at Council February 2020 and programmed for 2020/21.	
	52	Hylands House Stable Block Toilets	44		44				NEW Yes	Approved at Council February 2020 and programmed for 2022/23.	
		<u>Sustainable Development</u>									
1,667	53	Flood Alleviation Scheme	6,100	400	6,500		6,500		Dependent on Third Party - Late delivery	Increased cost of scheme from EA now capped at £6.5 million approved Cabinet July 2013	
1,697	54	City Centre Public Realm Work - Half Moon Square	250	1,447	1,697				Completed	Additional budget £120,000 approved by Cabinet September 2014 to cover the cost of preliminary works. £1.2m approved at February Council for the works to Half Moon Square. Further £275,000 approved by Cabinet October 2015. The cost of these works are to be funded by S106. An additional budget was approved at July Council for £67k to be funded from S106. The scheme is complete.	
154	55	Public Realm Wayfinding Signs	50	104	154				Completed	£102,000 supplementary estimate approved April 2016. This additional cost will be funded by £52,000 ECC and £50,000 S106.	

Outturn 31st March 2020 £000s	SCHEME DESCRIPTION	Latest Approved Budget - Approved Council February 2020 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
		Original Approved Scheme Budget £000s	Additional/ Reduced (-) Approved Budget £000s	Latest Approved Budget £000s	More/(Less) Than Approved Budgets £000s	Proposed Budget £000s		
43	56 Public Realm Wayfinding Signs Phase 2	310	-155	155	-62	155	Unspecified	Approved at Council February 2018. Two year programme to go ahead only if funding is secured from ECC and CIL. CIL funding of £78k approved January 2019, funding not secured from ECC therefore scheme reduced.
4,096	57 Public Realm Mill Yard Works	34	4,124	4,158		4,096	Completed	A budget of £101,000 was approved for the design of this scheme via Director of Sustainable Communities delegated authority. An additional £138,000 was approved via supplementary estimate December 2015. At February 2016 Council a further £2,661,000 was approved for this scheme to progress. This scheme will progress on the basis of no cost to CCC with the funding coming from LEP. An additional £900K was approved at Council February 2017. This increase is to be entirely funded from LEP and S106. There is also an additional £400k funding from CIL which has been approved by Council in July 2017 and £100K S106. This additional £500k funding spend has brought the budget for the scheme to £4.3m. The scheme is complete, negotiations have taken place with the contractor to agree the final account which has resulted in a saving against the forecast budget.
132	58 Public Realm Tindal Square Design	160		160		160	No	Approved at Council February 2018. The design works will not be completed until 2020/21.
4	59 Public Realm City Centre Greening/Tree Planting	115		115		82	Yes	Approved at Council February 2018. Three year programme.
	60 Mass Tree planting and Woodland Creation	4,400		4,400	-33	4,400	NEW Yes	Approved at Council February 2020 £4.4m with delegated authority to Director of Greener and Safer Chelmsford and Fairer Chelmsford and the relevant Cabinet Members. Funding to be sought circa £2m. Three year programme scheduled wef 2021/22.
4	61 HIF Access Road and Bridge - CCC Budget		250	250		250	Yes	Virement from 3 above sum allocated for HIF bid design works
541	62 HIF Access Road and Bridge - Grant Funded	15,500		15,500		15,500	NEW Yes	£15.5m approved at Council February 2020 with a delegation to Cabinet to approve final scheme.
1,461	63 S106 Beaulieu Park Station	100	1,550	1,650		1,650	Unspecified	Scheme approved for £100,000 via Director of Sustainable Communities delegated authority. £1,550,000 approved at Council February 2016. The expenditure on this scheme will be funded by S106.
1,793	64 S106 Beaulieu Park Station 2nd Phase	2,917		2,917	-4	2,917	Unspecified	£2.917m approved at February Council 2018. The expenditure on this scheme will be funded by S106.
66	65 S106 Public Art Mill Yard	70		70		66	Completed	£70k approved via delegation March 2018. Expenditure to be funded by S106.
1,311	66 S106 Beaulieu Sports Facility	477	834	1,311		1,311	Unspecified	£477k approved by Cabinet in January 2019 with delegation to spend further S106 contributions when received. Additional contributions received and therefore added to approved budget.
4	67 S106 Public Art Bond Street	44		44		44	Yes	Approved by delegation February 2019.
1	68 S106 Stonebridge Illuminations	37	6	43	3	43	Yes	Approved by delegation April 2019. Additional budget approved by delegation March 2020 £6k
2	69 S106 River Can Pathway Lighting Design	10	6	16		16	NEW Yes	Approved by delegation £10k January 2020. Additional budget approved by delegation March 2020 £6k
6	70 S106 Public Art Channels	21		21		21	NEW Yes	Approved by delegation January 2020 £21k.
3	71 S106 Habitat Mitigation			0		3	NEW Yes	Request from Essex County Council for grant from S106 towards the cost of works carried out in 2019/20.
111	72 CIL REFCUS Schemes 18/19	69	83	152	-41	111	Completed	Various schemes approved July 2018. Revenue Expenditure Funded by Capital Under Statute (REFCUS). Additional £42k approved by Cabinet November 2019.
37	73 CIL REFCUS Schemes 19/20	72	30	102		102	Yes	Scheme approved April 2019 £72k. Revenue Expenditure Funded by Capital Under Statute (REFCUS). NEW £30k various CIL schemes approved July 2019.
	74 CIL REFCUS Schemes 20/21	17		17		17	NEW Unspecified	£17k Approved March 2020.
	75 CIL Sutherland Lodge Refurbishment	525		525		525	Awaiting Business case - Late delivery	Approved Council July 2017.
48	76 CIL North Avenue Youth Centre Grant	41	15	56		56	Yes	Approved CIL funding April 2018. NEW Additional £15k CIL funding approved July 2019.
	77 CIL St Andrew's Scout Hut Building	80		80		80	Yes	CIL funding approved Cabinet October 2018 scheme to be included in capital programme approved by February Council 2019.

			Latest Approved Budget - Approved Council February 2020 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval				
Outturn 31st March 2020			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s			
52	78	CIL Langton Ave Community Centre Grant Phase 2	52		52		52		Yes	CIL funding approved July 2019
10	79	CIL Moulsham Lodge Community Centre Café (MLCT)	47		47		£37k NEW	Yes	CIL funding approved July 2019	
1	80	CIL Sanctus First Floor Refurbishment Grant	15		15			Yes	CIL funding approved July 2019	
	81	CIL Homelessness Day Centre CHESS New London Rd	300		300			Yes	CIL funding approved July 2019	
	82	Age Concern First Floor Extension Grant	212		212		NEW	Yes	Approved scheme with CIL funding March 2020.	
29	83	Chelmsford Community Transport Minibus Grant	29		29		NEW	Yes	Approved scheme with CIL funding March 2020.	
4	84	High Chelmer Multi Storey Car park (HCMSCP) Movement Joints	105		105			No	Approved at Council February 2017. Scheme was originally forecast to complete by September 2018. These works are now being carried out with the drainage works (scheme 85) and it is anticipated that they will be completed in 2020/21.	
6	85	HCMSCP Drainage Improvements	31		31			No	Approved at Council February 2018. See scheme 84 for details.	
49	86	Enabling Role - Housing	3,841	-3,604	237		237		Dependent on Third party - Late delivery	Budget reduced as vired to fund temporary accommodation - see scheme no. 5. The remaining balance is for a previously agreed payment to CHP. It is not anticipated that this budget will be spent until 2020/21.
66,842		Grand Total	94,376	50,446	144,822	-266	144,556			
					Net Variation	-266				
76,775		Total Forecast Outturn to 31/3/2020	Summary of Changes Since Previous Council Reports February 2020							
-9,933		Variation Outturn 31/3/2020 Compared to Forecast	Latest Approved Council February 2020							
			New Schemes Approved							
			Supplementary Estimates Approved for Existing Schemes							
			Completed schemes removed							
			Total Approved Budget							
			Latest Forecast Variations shown above (Increased Budgets Require Approval)							
			Latest Forecast Budget March 2020							

Capital Schemes - Reasons for Projected Variations to Latest Approved Total Scheme Costs More Than £25,000							
Scheme Description	Latest Approved Budget £000's	Latest Estimated Expenditure - If Additional Budget Requires Approval £000's	Variation £000's	Variation Type	Percentage Change in Scheme Cost	Reason	
Director of Fairer Chelmsford							
5 Acq. Land Wharf Road and Future Development	4,336	4,259	-77	Saving on Budget	-1.78%	Following a review of transactions the seller refunded £77k on the purchase of land in 2018/19 which has resulted in a saving.	
14 Acquisition of Investment Property	3,600	3,570	-30	Saving on Budget	-0.83%	Saving against the original budget following completion.	
Greener and Safer Chelmsford							
27 Hyland's Toilet Refurbishment	60	138	78	Additional Budget Required	130.00%	Scheme has been delayed due to design issues and budget restrictions. Decision taken to postpone to 2021/22. The original scheme was for 'refresh' of existing facilities as an interim measure. This is proving difficult to achieve and not particularly good value for money, so deferral to develop scheme for reconfiguration and full refurbishment of facility. This would require increasing budget to £138k and the subject of future Cabinet item.	
39 Chelmsford Indoor Market Refurbishment	650	600	-50	Saving on Budget	-7.69%	Service manager has advised that this scheme is nearing completion with some outside works still to be completed and is confident that there will be a saving against the approved budget.	
Sustainable Development							
57 Public Realm Mill Yard Works	4,158	4,096	-62	Saving on Budget	-1.49%	Final account settlement lower than anticipated resulting in a saving on the scheme.	
59 Public Realm City Centre Greening/Tree Planting	115	82	-33	Saving on Budget	-28.70%	£33k saving on capital budget due to spend being reclassified as revenue in 2019/20.	
85 CIL REFCUS Schemes 18/19	152	111	-41	Saving on Budget	-26.97%	Programmed spends against this budget have been reported as completed and therefore the CIL funding will not be required. The CIL was used to fund additional PCSO's and has now been reported as complete.	

CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME																		
		2019/20									2020/21							
		2019/20 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE VARIATIONS FROM LATEST APPROVED ESTIMATE									2020/21 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE PROJECTED VARIATIONS FROM LATEST APPROVED PROGRAMME AND REQUESTS FOR NEW BUDGETS							
		VARIATION FROM 2019/20 BUDGET ONLY									2020/21 BUDGET							
		Analysis of Variations									Variations							
Outturn to 31/03/2020	CAPITAL ASSET REPLACEMENT PROGRAMME	Original Approved Estimates for 2019/20	Additional/ Reduced (-) Approved Budget	Reason for Change - see Key Below	Latest Approved Estimates for 2019/20	Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	Variance for 2019/20 Additional Budget	Outturn 2019/20	Original Approved Estimate 2020/21	Additional/ Reduced (-) Approved Budget	Reason for Change - see key below	Latest Approved Estimate for 2020/21	Re phasing from 2019/20 - Requires Approval	More/Less(-) Than Approved Budgets - More Requires Approval	New Budget Asset Replacements Requires Approval	Total Proposed Budget Requirement for 2020/21
£000's	SCHEME DESCRIPTION	£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s		£000s		£000s	£000s	£000s	£000s	£000s
	Connected Chelmsford																	
143	1 Digital Services Replacement Programme	390	-254	PH, PV	136	-1		8	7	143	342			342	1			343
	Financial Module of Enterprise Resource																	
174	2 Planning (ERP)	272	-88	V, PH	184	-10			-10	174	38			38	10			48
	3 Civica System Upgrade	36	-36	PH	0				0	0	36			36				36
7	4 Leisure Management System	10			10			-3	-3	7				0				0
72	5 Theatres' Fire Alarm Replacement	87			87	-15			-15	72				0	15			15
	6 Theatres' Equipment				0				0	0	149			149				149
	7 Cramphorn Theatre Replacement Floor										17			17				17
	Fairer Chelmsford																	
	No Schemes				0				0	0				0				0
	Greener and Safer Chelmsford																	
16	8 CCTV Replacement Equipment	65	-49	PV, PH	16				0	16	50			50				50
27	9 CCTV Replacement Cameras	58	-33	PV, PH	25			2	2	27	68			68				68
	10 CCTV Various Schemes Sites CIL	15	-15	SEG, PH	0				0	0	64	3		67				67
	11 CCTV Maldon DC Joint Procurement		0	SEG, PH	0				0	0	69			69		5		74
	12 Crematorium Equipment	6	-6	PH	0				0	0	17			17				17
	13 Crematorium Columbarium				0				0	0	14			14				14
147	14 Civic Centre Alarm	193			193	-46			-46	147				0	46			46
	15 Civic Centre Boiler Flues	32	-32	PH	0				0	0	32			32				32
37	16 Civic Centre Building Management System	50			50	-13			-13	37				0	13			13
17	17 Print and Post Room Replacement Equip.		18	SEN	18			-1	-1	17	25			25				25
	18 Dovedales Replacement Equipment	5	-5	PH	0				0	0	5			5				5
31	19 Riverside Replacement Equipment	30			30			1	1	31	80			80				80
44	20 Riverside Ice Rink Barrier	16	23		39			5	5	44				0				0
15	21 CSAC Replacement Equipment	24			24	-8		-1	-9	15	52			52	8			60
	22 CSAC Flood lights	29	-29	PH	0				0	0	29			29				29
5	23 SWFLC Replacement Programme	5			5				0	5	58			58				58
11	24 CSAC Plant Replacement	11			11				0	11				0				0
10	25 SWFLC Plant Replacement	16	-4	PH	12			-2	-2	10	19			19				19
35	26 Riverside Plant Replacement	44			44	-8		-1	-9	35	40			40	8			48
54	27 Hylands Pavilion Audio Visual Equipment	57			57			-3	-3	54				0				0
	28 Hylands Pavilion Replacement Flooring				0				0	0	48			48				48
236	29 Play Area Replacements	247			247			-11	-11	236	265			265				265
15	30 Accessible Play Equipment		15	SEG	15				0	15				0				0
	31 Sports Equipment, floodlights, Irrigation	10	-10	PH	0				0	0	10			10				10
271	32 Parks Replacement Vehicles and Equipment	420	-162	PH/IPV	258	13			13	271	218			218	-13			205
	33 PHPS Vehicles - Litter Control Van	24	-24	PH	0				0	0	24			24				24
	34 PHPS Street Lighting				0				0	0	21			21				21
	35 CIL Street Lighting Meadows Car Park				0				0	0				5				5
42	36 Freight House Plant	68			68	-16		-10	-26	42				0	16			16
	37 Travel pool Cars				0				0	0				60				60
15	38 Freight House Canopy Recycling Bays	13	2	PV	15				0	15				0				0
3	39 Scootas for the Disabled		5	SEN	5			-2	-2	3	2			2				2
	40 Retail Market Intruder Alarm	13			13	-13			-13	0				0	13			13

Outturn to 31/03/2020	CAPITAL ASSET REPLACEMENT PROGRAMME	Original Approved Estimates for 2019/20	Additional/ Reduced (-) Approved Budget	Reason for Change - see Key Below	Latest Approved Estimates for 2019/20	Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	Variance for 2019/20 Additional Budget	Outturn 2019/20	Original Approved Estimate 2020/21	Additional/ Reduced (-) Approved Budget	Reason for Change - see key below	Latest Approved Estimate for 2020/21	Re phasing from 2019/20 - Requires Approval	More/Less(-) Than Approved Budgets - More Requires Approval	New Budget Asset Replacements Requires Approval	Total Proposed Budget Requirement for 2020/21
15	41 Retail Market LED Lighting	16			16			-1	-1	15				0				0
	42 Retail Market Vehicle				0				0	0	24			24				24
93	43 Bus Shelters	85	8		93				0	93				0				0
8	44 Street Cleansing Vehicles	7	1		8				0	8	356			356				356
	45 Wet Team Vehicles				0				0	0	71			71				71
	46 Wet Team Equipment				0				0	0	8			8				8
	47 Dog Litter Van				0				0	0	92			92				92
	48 Hit Squad Replacements	50	-50	PH	0				0	0	50			50				50
158	49 Refuse Collection Vehicles	159			159			-1	-1	158	696			696				696
682	50 Recycling Vehicles	721	-42	PV, PH	679			3	3	682	1,085			1,085				1,085
199	51 Food Waste Collection Vehicles	199			199				0	199				0				0
	52 Service Development Van				0				0	0	18			18				18
	53 Healthy Home Loans				0				0	0				0				0
567	54 Disabled Facility Grants	600			600			-33	-33	567	600			600				600
32	55 PLACE Funding (Empty Homes)	25			25			7	7	32				0				0
	56 Housing Standards	12			12	-12			-12	0				0	12			12
	<u>Sustainable Development</u>																	
	57 Pay and Display Machines Off Street				0				0	0	207			207				207
	58 Car Park LED Lighting				0				0	0	8			8				8
	59 Car Park CCTV Upgrade	137	-137	PH	0				0	0	137			137				137
3,181	Totals	4,257	-904		3,353	-129	0	-43	-172	3,181	5,144	68		5,212	129	5	0	5,346
							-43									134		

[illegible]



Chelmsford City Council Audit and Risk Committee

17th June 2020

Internal Audit Annual Report 2019/20

Report by:

Director of Financial Services

Officer Contact:

Elizabeth Brooks, Audit Services Manager, elizabeth.brooks@chelmsford.gov.uk

Purpose

This report summarises the work that Internal Audit has undertaken during the financial year 2019/20, identifies the key themes that we have identified across the Council and also highlights how responsive management have been in implementing recommendations. We have also undertaken a review of the effectiveness of Internal Audit.

Recommendations

Committee are requested to note the content of the 2018/19 Annual Report, including the Annual Opinion and the basis on which this opinion is based.

1. Introduction

- 1.1. The provision of a continuous internal audit service assists the Council in providing assurance on the control environment that support the delivery of the Council's strategy.

- 1.2. The Internal Audit Annual Plan for 2018/19 was approved by Audit Committee in March 2018. This report summarises the work that Internal Audit has undertaken during the financial year 2018/19, identifies the key themes that we have identified across the Council and also highlights how responsive management have been in implementing recommendations. We have also undertaken a review of the effectiveness of Internal Audit and provided an update on progress against our IA Strategy.
- 1.3. The Public Sector Internal Audit Standards (PSIAS) require that the Audit Services Manager provides an annual audit opinion and report that can be used by the organisation to inform its governance statement in respect of the adequacy and effectiveness of the organisation's framework of internal control, risk management and governance.

2. Conclusion

The Internal Audit Annual Report 2019/20 is attached for Audit & Risk Committee to note.

List of appendices: Internal Audit Annual Report 2019/20

Background papers: None

Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).

As well as Public Sector Internal Audit Standards (PSIAS), the Internal Audit section will govern itself by adherence to mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of Internal Auditing and for evaluating the effectiveness of Internal Audit's performance.

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit & Risk Committee, management and outside parties (e.g. External Audit) on the adequacy and effectiveness of governance, risk management, and control process for Chelmsford City Council.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: Management Team received the Internal Audit Annual Report on 20th May 2020.

Relevant Policies and Strategies: None

Internal Audit Annual Report 2019-20

1. Introduction

1.1. Purpose of this report

- 1.1.1. This report summarises the work that Internal Audit has undertaken during the financial year 2019/20 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council.

1.2. The Role of Internal Audit

- 1.2.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of Chelmsford City Council's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the Audit & Risk Committee, Chief Executive, Section 151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations. The Council's response to Internal Audit activity should lead to the strengthening of the control environment.
- 1.2.2. Each year, we seek to adapt and enhance our audit approach in order to take in to account the Council's risk profile and changes in the system of internal control. This ensures that our work remains focused on the areas of high risk and seeks to avoid duplication of effort, where there are other sources of assurance in operation, for example, External Audit.
- 1.2.3. Internal Audit remains free from all conditions that threaten the ability of the Council's Internal Auditors to carry out their responsibilities in an unbiased manner, including matter of audit selection, scope, procedures, frequency, timing and report content. If the Audit Services Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties. This has not arisen for 2019/20. The Council's Internal Auditors also maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors have had no direct operational responsibility or authority over any of the activities audited.
- 1.2.4. Our Internal Audit Charter was presented to Senior Management and Audit & Risk Committee in May 2020 and will continue to be updated and appended to the annual Internal Audit Plan each year.

1.3. Overview of the Internal Audit Approach

- 1.3.1. The Public Sector Internal Audit Standards (PSIAS) require that the Audit Services Manager provides an annual audit opinion and a report that can be used by the organisation to inform its governance statement in respect of the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control.
- 1.3.2. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit & Risk Committee, which should provide a reasonable level of assurance, subject to the inherent limitations set out in Appendix C. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 1.3.3. Internal audit work was performed in accordance with the Council's Internal Audit methodology which is in conformance with the PSIAS.
- 1.3.4. The responsibility for fraud investigation and the position of Senior Financial Investigations Officer, as well as the responsibility for risk management and the position of Risk Manager, is under the remit of the Procurement and Risk Services Manager at Chelmsford City Council. The Audit Services Manager and Procurement and Risk Services Manager work closely with one another to share risk information and align approaches to provide combined assurance to the Council (see section 3.4).

1.4. Overview of work done in the year

- 1.4.1. The original audit plan for 2019/20 was approved by Audit & Risk Committee in March 2019. The Internal Audit Team was made up of the following resources during 2019/20: 2.5 FTE permanent staff (1.0 FTE (Audit Services Manager); 1.5 FTE (Senior Auditor)). The Internal Audit team has also been supported by a co-sourcing agreement with PWC, delivering 60 days internal audit work.
- 1.4.2. The final number of projects delivered for 2019/20 will be 27 (18 reviews and 9 follow ups) after taking into account reviews that were cancelled or deferred by management to 2020/21 (see Section 5). In comparison, 24 audits were completed in 2018/19. In addition to planned work, Internal Audit have also provided advice and guidance relating to the implementation of the Council's new finance system, Tech1, and development of the Digital Portfolio Office.

Covid-19 Pandemic

- 1.4.3. *Internal Audit has communicated closely with senior management and the Audit & Risk Committee to ensure that audit reviews undertaken represent a focus on high risk areas, in the light of new and ongoing developments, to ensure the most appropriate use of our resources. To this end, in response to the Covid-19 Pandemic from February/March 2020, Internal Audit focussed its priorities on assisting management with control design and advice as the Council's response developed. This specifically included providing advice and guidance relating to the setup of the Small Business Grants payments and the procurement procedures for the Council's new Community Hub. Advice and audit assistance continues to be available to all Council areas as requested during the Council's Response Phase to Covid-19.*
- 1.4.4. *The diversion of audit and wider management priorities during this acute phase of the Council's response did impact on Internal Audit's KPIs (see section 7), however, the full plan will be ultimately delivered by 30th June.*

2. Internal Audit Opinion

2.1. Internal Audit is satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

2.2. In assessing the level of assurance to be given, the following has been considered:

- All audits undertaken in the year
- Any follow up action taken in respects of audits from previous periods
- The effects of any significant changes in the Council's systems or objectives
- Any limitations which may have been placed on the scope of internal audit
- The extent to which resource constraints may impact on the Audit Service's Manager ability to meet the full needs of the organisation
- The results of work performed by other assurance providers, such as External Audit.

OVERALL OPINION

Moderate Assurance – overall the Council's systems for control, risk and governance are generally adequate with some improvement required to address areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Please see our Summary of Findings in Section 3.

Internal Audit reached this conclusion because medium risk rated weaknesses identified in individual assignments are not significant in aggregate to the system of internal control, high risk rated weaknesses identified in individual assignments are isolated to specific system or processes, and none of the individual assignment reports have an overall classification of critical risk and/or no assurance. This opinion has been derived from consideration of the detail below.

Covid-19 – this opinion is based on work completed prior to the Council's response to Covid-19. The inevitable changes to processes and procedures during the C.19 response phase, may have impacted on the Council's usual control framework and increased the Council's exposure to risk, loss and fraud. However, Internal Audit are working closely with Risk Management to monitor the management of these risks and provide assurance/advice where required and will adapt the audit plan for 2020 accordingly to ensure any emerging risks are captured and reported accordingly.

An explanation of the types of opinion that may be given can be found in Appendix A.

3. Summary of Findings

3.1. Report Classification and Number of Findings

3.1.1. The table below shows the report classifications for the risk-based audits undertaken and risk and control advice provided in 2019/20.

Directorate	Substantial Assurance	Moderate Assurance	Limited Assurance	No Assurance	Control Advice Only	In Progress (due to be finalised June 2020)	Total
Cross-Cutting	-	3	2	-	1	-	6
Corporate Services	-	-	-	-	2	1	3
Finance & Housing	-	1	1	-	-	1	3
Public Places	1	1	-	-	1	1	4
Sustainable Communities	-	1	-	-	-	1	2
Total	1	6	3	0	4	4	18

3.2. Key themes identified in 2019/20

The Internal Audit Opinion considers the number of limited assurance reports issues and their overall impact on the control environment. A summary of the key issues arising from these reports is presented below, grouped into key themes.

3.2.1. Compliance with Statutory Requirements

Report	Key Issues
Equality Impact Assessments (Limited)	High-priority findings were identified relating to training and awareness, independent review and oversight.
Temporary Accommodation (Limited)	High priority findings were identified relating to some inconsistency and associated risks with the current procurement arrangements for Temporary Accommodation and consistency of monitoring Health and Safety/ Property Inspections.
Use of Agency Staff (Limited)	Two high priority findings were identified relating to Procurement Pre-Employment Vetting. Other findings related to strategic monitoring of use of agency staff, compliance with Council policy and wider consultation with support services such as HR and Procurement which limits their ability to carry out their requisite monitoring and oversight. Subsequent to the audit, the Council has now entered into a framework agreement for the provision of temporary staff which will assist in mitigating several of the risks identified in the review.
GDPR (Moderate)	One high priority finding was identified relating to Data held by Third Parties. A further finding relating to guidance and awareness for the completion of Data Protection Impact Assessments (DPIAs), was initially rated as high, however, it is noted that since the time of audit testing, the Data Protection Officer (DPO) has undertaken work which has subsequently reduced this risk in the Information Governance Risk Register, although this is to be independently verified by Internal Audit.
Safeguarding (Moderate)	One high priority finding was identified relating to consistency in obtaining and retaining DBS information, which requires some corporate direction.

3.2.2. Governance

The following areas were raised in 2018/19 in relation to governance arrangements across the Council. To this end, they were also highlighted as areas to address in the Council's Annual Governance Statement 2018/19. However, as outlined below it is not possible to yet provide independent assurance that the control environment relating to these areas of governance has improved.

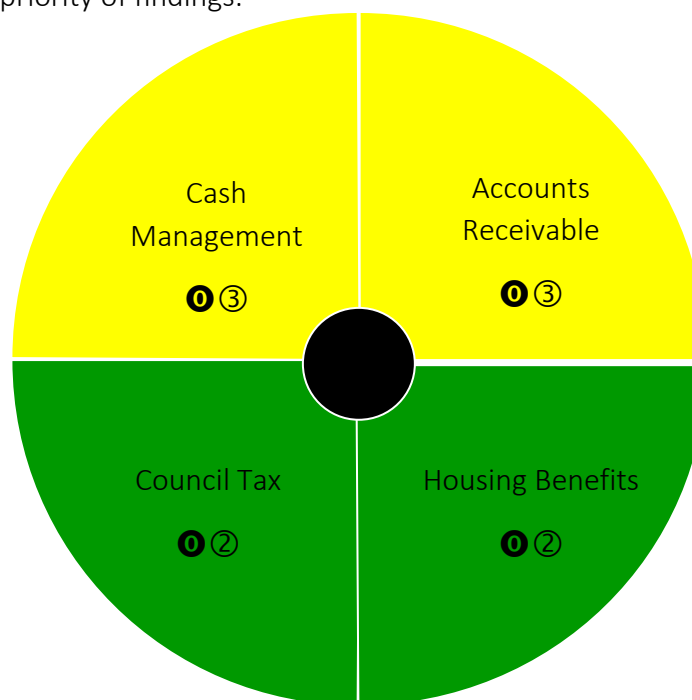
Report	Key Issues
Digital Strategy Programme (2018/19 Assurance Rating - Limited)	A Digital Health Check relating to the Council's new Digital Portfolio Office (DPO) was due to be undertaken in Q4 2019/20 to consider recommendations made in the Internal Audit 2018 Limited Assurance report and provide assurance as to whether the control environment surrounding these arrangements had improved. Due to delays in implementation of the project, the review has been deferred to July 2020. Internal Audit did however provide initial control design advice relating to the DPO for consideration when implementing the new system.
Corporate Property (2018/19 Assurance Rating - Limited)	Our interim follow up audit revealed that: one high priority and two medium priority recommendations have been fully implemented and; two recommendations (both high priority) have been partially implemented. One partially implemented high recommendation relates to the Council's Asset Management Strategy and the remaining outstanding recommendation relates to development of a Property Management System. Both pieces of work are currently in hand, and the progress made by the Corporate Property Services Manager in implementing the recommendations is noted. It is understood that full implementation of the outstanding high recommendations relies on wider Council collaboration. Therefore, we will revisit the action plan in December 2020 to review progress made and review our assurance opinion at that time.

3.2.3. Project Management

Report	Key Issues
BACS (Management Letter – Control Advice)	Internal Audit noted that system change procedures are generally informal and associated risks, interdependencies on other systems, and timetables may not be sufficiently taken into consideration, which may impact BACS transactions.

3.3. Key Financial Systems (KFS)

3.3.1. The KFS programme is a key indicator of the overall strength of the underlying control environment. Each year Internal Audit carries out reviews of the Council's fundamental financial systems. The key financial systems reviewed during 2019/20 were: Cash Management; Accounts Receivable; Council Tax and Housing Benefits. The 2019/20 overall opinion rating for the key financial systems was 'moderate' assurance i.e. the key controls in the Council's financial systems reviewed continue to operate effectively based on the sample testing performed. The wheel below summarises the number and priority of findings.



3.4. Other Sources of Assurance

3.4.1. Risk Management Framework

It is the Council's policy to proactively identify, understand and manage the risks inherent in its services and associated with its plans and strategies, so as to encourage responsible, informed risk taking and reduce exposure to a tolerable level using a justifiable level of resources. It is also the Council's policy to ensure regular monitoring and reporting of its Principal Risks, which are defined as: strategic risks arising from the Corporate Plan and/or external factors and; operational, compliance and project risks which, due to their nature or severity, require oversight at senior level.

Risk and Internal Audit regularly discuss and exchange risk information, including progress updates on development of the risk framework and any emerging issues. Risk impact criteria have been aligned to ensure that management and Services receive broadly consistent messages to enable them to prioritise their risks. Internal Audit also use the Principal Risk Register, and other risks identified through the risk management framework, to inform its annual risk-based Internal Audit plan and to inform audit planning for individual audit assignments. Internal Audit share individual Terms of Reference with Risk where these relate to items already on the Principal Risk Register, plus any items specifically requested by Risk and during fieldwork, Internal Audit will bring any serious, emerging issues to the attention of Risk. Draft reports are shared with Risk where limited assurance and/or high-risk findings occur, on which Risk will provide comment or feedback as necessary to ensure that the necessary items are flagged for potential inclusion in risk registers.

Covid-19: We will continue to work closely with Risk Management, as well as monitor closely the impact of Covid-19 on the Council's Principal Risks, to ensure that any emerging risks from Covid-19 are included within our future audit plans and individual scopes where appropriate.

3.4.2. Internal Audit View on the Risk of Fraud

The Council's Procurement and Risk Services Manager has responsibility for fraud investigation and Senior Financial Investigations Officer. However, it is pertinent for the Audit Services Manager to have a view on the risk of fraud to the Council. The history of fraud at Chelmsford was discussed with the Senior Financial Investigations Officer and it is noted that there is a low incidence of reported fraud for an authority of this size. There are, however, currently no large scale specific actual, suspected or alleged cases of fraud affecting the Council.

The Fraud Investigations Annual Report for 2018/19 was presented to Audit & Risk Committee in December 2019, which included a summary of the Council's Inherent Fraud Risk Assessment. In accordance with the annual audit plan, Internal Audit plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls. These would be reported immediately to the Investigations team and Procurement and Risk Services Manager.

Covid-19: We will continue to monitor the Council's control framework during its Covid-19 Response Phase to determine whether the Council has any additional exposure to fraudulent activity during this time.

4. Results of Individual Assignments *(listed in order of priority of findings)*

Directorate	Report Title	Assurance Rating	Critical	High	Medium	Low
Cross-Cutting	Use of Consultants & Agency Staff	Limited	0	2	4	2
Finance & Housing	Temporary Accommodation	Limited	0	2	2	1
Cross-Cutting	Equality Impact Assessments	Limited	0	2	1	1
Cross-Cutting	GDPR Governance Review	Moderate	0	1	6	1
Public Places	Safeguarding	Moderate	0	1	1	1
Finance & Housing	BACS	n/a – control advice	0	1	1	0
Public Places	Riverside	n/a – control advice	0	0	6	0
Corporate Services	Theatres	n/a – control advice	0	0	6	2
Sustainable Communities	SEPP	Moderate	0	0	5	1
Cross-Cutting	Fleet Management (& Stock Advice)	Moderate (+ Stock Advice management letter)	0	0	5	0
Cross-Cutting	Cyber Security Follow Up (+ Access Controls)	Moderate	0	0	2	3
Finance & Housing	Key Financial Systems 2019/20: Cash Management; Accounts Receivable; Council Tax; Housing Benefits	Moderate	0	0	2	8
Corporate Services	Elections	n/a - control advice	0	0	1	2
Public Places	Cemetery & Crematorium	Substantial	0	0	1	0

Directorate	Report Title	Assurance Rating	Critical	High	Medium	Low
Corporate Services	Museum	TBC				
Sustainable Communities	Community Infrastructure Levy	TBC				
Finance & Housing	Capital Expenditure	TBC				
Public Places	Housing Grants and Loans	TBC				

5. Deferrals/Cancellations

The original 2019/20 Audit Plan also included the following:

- **Digital Strategy** - A Digital Health check relating to the Council's new Digital Portfolio Office (DPO) was due to be undertaken in Q4 2019/20 to consider recommendations made in the Internal Audit 2018 Limited Assurance report and provide assurance as to whether the control environment surrounding these arrangements had improved. Due to delays in implementation of the project, the review has been deferred to July 2020. Internal Audit did however provide initial control design advice relating to the DPO for consideration when implementing the new system.
- **Contractors and Contract Management** – deferred to 2020/21 at management request to allow embedding of new contract rules.
- **Managing the Risk of Fraud** – deferred to 2020/21 due to resourcing
- **Trading Accounts** - cancelled at Management's request; to reconsider in future audit plans
- **Remote working** – deferred to 2020/21 at management request
- **Homelessness** - deferred to 2020/21 due to timing of the Council's new Homelessness Strategy
- **Community Safety Partnership** – deferred to 2020/21 due to resourcing.
- **S106** - deferred to 2020/21 due to timing of CiL review.

Delayed due to impact of Covid-19

- *Housing Allocations*
- *Extended Follow Up Emergency Planning*

6. Management's Response to Implementing Audit Recommendations

6.1. A key measure of success and a strong internal control environment is timely implementation of recommendations. All planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented.

6.2. Performance relating to the implementation of recommendations during 2019/20 is tabled below. In summary, there was a good rate of implementation, with no critical/high priority recommendations outstanding on follow up.

Directorate	Audit Title	Original Assurance Rating	Original Recommendations	Implemented	Key Findings
Finance	Corporate Property	Limited	Our interim follow up audit revealed that: one high priority and two medium priority recommendations have been fully implemented and; two recommendations (both high priority) have been partially implemented. One partially implemented high recommendation relates to the Council's Asset Management Strategy and the remaining outstanding recommendation relates to development of a Property Management System. Both pieces of work are currently in hand, and the progress made by the Corporate Property Services Manager in implementing the recommendations is noted. It is understood that full implementation of the outstanding high recommendations relies on wider Council collaboration. Therefore, we will revisit the action plan in December 2020 to review progress made and review our assurance opinion at that time.		
Cross-Cutting	Conflicts of Interest	Limited	2 High, 6 Medium, 2 Low	Yes	In the previous report, 10 recommendations were made and accepted by management. Based on the evidence presented, our follow up audit revealed that all ten recommendations have been implemented. The findings from the original audit were indicative of a 'limited' assurance opinion. While a full audit would need to be undertaken to revise the assurance rating, the high rate of implementation of recommendations and positive action taken by management in response to the original report, suggests that the control environment (in relation to the specific areas covered by the follow up), has improved and is now indicative of 'moderate' assurance.
Sustainable Communities	Car Parking	Moderate	1 High, 2 Medium, 1 Low	Yes	All four recommendations have been implemented.

Directorate	Audit Title	Original Assurance Rating	Original Recommendations	Implemented	Key Findings
Public Places	CCTV	Moderate	1 High, 1 Medium, 1 Low	Yes	All three recommendations have been implemented as far as possible. One recommendation relating to CCTV Data Security has not been fully actioned due to IT limitations, however, this is continuing to be monitored.
Public Places	Hylands House	Moderate	6 Medium, 2 Low	Yes	All eight recommendations have been implemented.
Finance	Procurement Cards	Moderate	3 Medium, 2 Low	Yes	All five recommendations have been implemented.
Connected Chelmsford	Corporate Events	Moderate	2 Medium, 2 Low	Yes	All four recommendations have been implemented.
Finance	Grants to Voluntary Organisations	Moderate	2 Medium, 2 Low	Yes	All five recommendations have been implemented.
Public Places	Markets	Substantial	1 Low	Yes	The recommendation has been implemented.
Connected Chelmsford	ICT Follow Ups (2017)	<p>In September 2017, a suite of IT Audit reports were issued, all with an 'acceptable' assurance opinion (now 'moderate' assurance), covering the following areas:</p> <ul style="list-style-type: none"> • Security of ICT Assets • Security of Information • Integrity of Data Processing • Availability of Data and Infrastructure <p>Since the original reviews, there have been numerous changes in the Council's IT services, including the move to Windows 10 and O365, which has impacted on the relevance and implementation of several of the recommendations, plus changes to Internal Audit service have meant that subsequent audit reviews have superseded the originals. However, Digital Services has continued to keep Internal Audit up to date on progress as follows:</p>			

Directorate	Audit Title	Original Assurance Rating	Original Recommendations	Implemented	Key Findings
					<ul style="list-style-type: none"> • Security of Information – all recommendations superseded by actions outlined in the Council’s GDPR Compliance Action Plan and/or the 2018 Internal Audit of Cyber Security. • Integrity of Data Processing – recommendations either implemented as advised by Digital Services or superseded by the 2019 follow up of Cyber Security (with extended scope covering IT Access Controls). • ICT Security of Assets – recommendations relating to Policy and Procedure have been implemented as advised by Digital Services. Three remaining recommendations relating to licencing are due for completion in October 2019. • Availability of Data and Infrastructure – two recommendations superseded by the 2018 Internal Audit of Cyber Security. The remaining three recommendations relate to Disaster Recovery which are due for completion in December 2019. <p>Due to the changes in the risk environment relating to the above areas as a result of the significant changes in IT services, Internal Audit will consider incorporating new reviews of Disaster Recovery and Licencing to the 2020/21 Audit Plan to ensure that assurance is provided over current arrangements.</p>

7. Review of the Effectiveness of Internal Audit

7.1. Our performance against Key Performance Indicators (KPIs) used to demonstrate the effectiveness of the internal audit function during 2019/20 is shown in the table below.

KPI	Target	Result 2019/20	Comments
Audit Plan delivered to Draft Report Stage by 31st March:	90%	78%*	As a result of the emerging Covid-19 pandemic during early 2020, which required diverting audit and management priorities, four reports were not completed in line with the KPI. (*excluding these four reports from the calculation, the KPI result would be 93% for both draft and final stage) All reports due to be completed by 30 th June 2020.
Audit Plan delivered to final report stage by 30 th April:	100%	72%*	
Completion of follow ups for applicable audit reports within financial year	100%	78%*	As a result of the emerging Covid-19 pandemic during early 2020, which required diverting audit and management priorities, two follow ups were not completed in line with the KPI. (*excluding these two follow ups from the calculation, the KPI result would be 100%) All reports due to be completed by 30 th June 2020.
Customer Satisfaction results: overall average score of 4 or 3 (i.e. very good or good) each survey returned	100%	100%	
Compliance with Public Sector Internal Audit Standards (PSIAS)	100%	100%	
Audit areas where the indicative level of assurance has improved from no assurance/limited assurance at the follow-up stage	Four limited assurance reports were issued in 2018/19, for which two follow ups were undertaken during 2019/20 (Digital Strategy was deferred to 2020/21 at management request and an interim follow up was undertaken for Corporate Property). For Cyber Security and Conflicts of Interest, the indicative level of assurance is now considered to have improved to moderate.		

7.2. Quality assurance and improvement programme

PSIAS require that Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity. Periodic reviews of the quality of internal audit work completed internally and the Audit Services Manager reviews all draft and final reports. Planning and delivery of the Service (including this Annual Report) has been done in conformance with the requirements of the PSIAS.

Appendix A

Annual Opinion Categories

The table below sets out the four types of annual opinion that Internal Audit use, along with the types of findings that may determine the annual opinion given. The Audit Services Manager will apply their judgement when determining the appropriate annual opinion, so the guide given below is indicative rather definitive.

Type of Annual Opinion	When to use this type of annual opinion
Substantial	<ul style="list-style-type: none"> Generally, only low risk rated weaknesses found in individual assignments; and None of the individual assignment report have an overall report classification of either high or critical risk
Moderate	<ul style="list-style-type: none"> Medium risk rated weaknesses identified in individual assignments that are <i>not significant in aggregate</i> to the system of internal control; and/or High risk rated weaknesses identified in individual assignments that are <i>isolated</i> to specific systems or processes; and None of the individual assignment reports have an overall classification of critical risk
Limited	<ul style="list-style-type: none"> Medium risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete</i> parts of the system of internal control remain unaffected; and/or High risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete</i> parts of the system of internal control remain unaffected; and/or Critical risk rated weaknesses identified in individual assignment that are <i>not pervasive</i> to the system of internal control; and A <i>minority</i> of the individual assignment reports may have an overall report classification of either high or critical risk.
No	<ul style="list-style-type: none"> High risk rated weaknesses identified in individual assignments that <i>in aggregate are pervasive</i> to the system of internal control; and/or Critical risk rated weaknesses identified in individual assignments that are <i>pervasive</i> to the system of internal control; and/or <i>More than a minority</i> of the individual assignment reports have an overall report classification of either high or critical risk.

Appendix B

Key to Assurance Levels in Individual Reports

No Assurance	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
Limited	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
Moderate	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Substantial	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be advice and best practice.

Key to Risk Ratings for Individual Findings in Reports

Critical	Financial: Severe financial loss; Operational: Cessation of core activities; People: Life threatening or multiple serious injuries to staff or service users or prolonged workplace stress. Severe impact on morale & service performance. Mass strike actions etc; Reputational: Critical impact on the reputation of the Council which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV; Legal and Regulatory: Possible criminal, or high-profile civil action against the Council, members or officers. Statutory intervention triggered impacting the whole Council. Critical breach in laws and regulations that could result in material fines or consequences; Projects: Failure of major Projects and/or politically unacceptable increase on project budget/cost. Elected Members required to intervene.
High	Financial: Major financial loss. Service budgets exceeded; Operational: Major disruption of core activities. Some services compromised. Management Team action required to overcome medium-term difficulties; People: Serious injuries or stressful experience (for staff member or service user) requiring medical attention/ many workdays lost. Major impact on morale and performance of staff; Reputational: Major impact on the reputation of the Council. Unfavourable media coverage. Noticeable impact on public opinion; Legal and Regulatory: Major breach in laws and regulations resulting in significant fines and consequences. Scrutiny required by external agencies; Projects: Key targets missed. Major increase on project budget/cost. Major reduction to project scope or quality.
Medium	Financial: Moderate financial loss. Handled within the team; Operational: Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service Manager action will be required; People: Injuries (to staff member or service user) or stress levels requiring some medical treatment, potentially some workdays lost. Some impact on morale and performance or staff; Reputational: Moderate impact on the reputation or brand of the organisation. Limited unfavourable media coverage; Legal and Regulatory: Moderate breach in laws and regulations resulting in fines and consequences. Scrutiny required by internal committees or internal audit to prevent escalation; Projects: Delays may impact project scope or quality (or overall project must be re-scheduled). Small increase on project budget/cost. Handled within the project team.
Low	Financial: Minor financial loss; Operational: Minor errors in systems/operations or processes requiring Service Manager or Team Leader action. Little or no impact on service users; People: Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale; Reputational: Minor impact on the reputation of the organisation; Legal and Regulatory: Minor breach in laws and regulations with limited consequences; Projects: Minor delay without impact on overall schedule. Minimal effect on project budget/cost or quality.

Limitations and Responsibilities

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. Internal Audit shall endeavour to plan its work so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, Internal Audit shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, the examinations of Internal Audit should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless Internal Audit is requested to carry out a special investigation for such activities in a particular area.

Limitations inherent to the internal auditor's work

Internal Audit work has been performed subject to the limitations outlined below:

- **Opinion**

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and the Audit & Risk Committee should be aware that the opinion may have differed if the programme of work or scope for individual reviews was extended or other relevant matters were brought to Internal Audit's attention.

- **Internal control**

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

- **Future periods**

Internal Audits assessment of controls relating to Chelmsford Council is for the period 01/04/18 to 31/03/19. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.



Chelmsford City Council Audit and Risk Committee

17th June 2020

Audit and Risk Committee Annual Report 2019/20

Report by:

Director of Financial Services

Officer Contact:

Elizabeth Brooks, Audit Services Manager, elizabeth.brooks@chelmsford.gov.uk

Purpose

This report summarises the work that the Audit and Risk Committee has undertaken during 2019/20 in line with CIPFA Guidance for Audit Committees 2018.

Recommendations

Committee are requested to note the content of its 2018/19 Annual Report prior to submission to Full Council.

1. Introduction

- 1.1. Audit Committees are a key component of the Council's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 1.2. The purpose of an Audit Committee is to provide those charged with governance in the Council independent assurance on the adequacy of the Council's risk management framework, internal control environment and the integrity of the financial reporting and governance process. By overseeing both internal and external

audit, it makes an important contribution to ensuring that effective management arrangements are in place.

- 1.3. The CIPFA document “Audit Committees: Practical Guidance for Local Authorities (2018)”, outlines the core functions of the Audit Committee and advises how Audit Committees should demonstrate their independence and effectiveness. Part of this includes reporting regularly on their work, and at least annually reporting an assessment of their performance.

2. Conclusion

The Audit and Risk Committee Annual Report 2019/20 is attached for Committee to note and agree.

List of appendices: Audit and Risk Committee Annual Report 2019/20

Background papers: None

Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).

Various legislation emphasises the importance of the Audit Committee, including:

- the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)
- updates to the Public Sector Internal Audit Standards (PSIAS) in 2016 and 2017
- the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: The role of the Audit and Risk Committee in relation to risk management covers: assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks; keeping up to date with the risk profile and the effectiveness of risk management actions and; monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: Councillor Walsh, Chair of the Audit and Risk Committee

Relevant Policies and Strategies: None

Audit and Risk Committee Annual Report 2019/20

Introduction from the Chair of Audit and Risk Committee

I am pleased to present the Annual Report of the Audit Committee which outlines the Committee's work and achievements for 2019/20.

I hope that this Annual Report helps to demonstrate to the City's residents and the Council's other stakeholders the role that is carried out by the Audit and Risk Committee and the contribution that it makes to the Council's overall governance. All meetings are open to members of the public.

To provide ongoing assurance over the Council's internal controls and systems, the Committee was attended during 2019/20 by the Audit Services Manager, Elizabeth Brooks, the Director of Finance, Amanda Fahey, the Procurement and Risk Services Manager, Alison Chessell, and the Accountancy Services Manager, Phil Reeves, as well as representatives from the Council's External Auditors. Other Council officers also attended Audit and Risk Committee during the year as requested.

I would like to express my thanks to those officers and Members who have supported the work of this Committee by presenting and discussing reports.

Cllr Nora Walsh

June 2020

1. Overview

- 1.1. Audit Committees are a key component of the Council's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 1.2. The purpose of an Audit Committee is to provide those charged with governance in the Council, independent assurance on the adequacy of the Council's risk management framework, internal control environment and the integrity of the financial reporting and governance processes. By overseeing both Internal and External Audit, it makes an important contribution to ensuring that effective management arrangements are in place.
- 1.3. Various legislation emphasises the importance of the Audit Committee, including:
 - the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)
 - updates to the Public Sector Internal Audit Standards (PSIAS) in 2016 and 2017
 - the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).
- 1.4. To this end, the Council's Audit and Risk Committee is an important source of assurance regarding the Council's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.
- 1.5. As outlined in the CIPFA publication "Audit Committees: Practical Guidance for Local Authorities (2018)", the core functions of the Audit Committee are to:
 - Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the Council's objectives.
 - In relation to the Council's Internal Audit functions:
 - Oversee its independence, objectivity, performance and professionalism,
 - Support the effectiveness of the Internal Audit process
 - Promote the effective use of Internal Audit within the assurance framework.
 - Consider the effectiveness of the authority's risk management arrangements and the control environments. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues.
 - Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risk of fraud and corruption.
 - Consider the reports and recommendations of External Audit, and other inspection agencies where applicable, and their implications for governance, risk management or control.
 - Support effective relationships between External Audit and Internal Audit, inspections agencies and other relevant bodies and encourage the active promotion of the value of the audit process.
 - Review the financial statements, External Auditor's opinion and reports to Members, and monitor management actions in response to the issues raised by External Audit.

1.6. In addition, the CIPFA guidance advises that all Audit Committees should demonstrate their independence and effectiveness by:

- Acting as the principal non-executive advisory function supporting those charged with governance
- Being independent of both the executive and scrutiny functions
- Having clear rights of access to other committees e.g. Governance Committee
- Being properly accountable to Full Council
- Meeting regularly (at least four times a year) and have a clear policy on those items to be considered in private and considered in public
- Being able to meet privately and separately with the External Auditor and with the Audit Services Manager
- Including as regular attendees, the Director of Finance or substitute, the Audit Services Manager, and the appointed External Auditor.
- Reporting regularly on their work, and at least annually reporting an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

2. Membership and Effectiveness

- 2.1. There were four meetings of the Committee during 2019/20 (March 2020 was postponed to May 2020 due to the coronavirus emergency). Following Council elections in May 2019, membership of the Committee changed, and details are attached at Appendix A. The Audit and Risk Committee does not have any independent Members.
- 2.2. The work programme is based around the Committee's Terms of Reference, along with items requested during the year, and is reviewed at each Committee meeting. A list of the items that have been considered by the Committee is attached at Appendix B to the report.
- 2.3. The Committee is well supported by the Director of Finance (Section 151 Officer), Audit Services Manager, the Procurement and Risk Services Manager, the Accountancy Services Manager and External Audit (BDO).
- 2.4. The Committee's Terms of Reference is in line with CIPFA guidance: Audit Committees (2018) and this is attached at Appendix C.
- 2.5. The agendas for the Committee's meetings are published on the Council's website not later than five clear days before the date of each meeting. The minutes of each meeting are also published on the website as soon as possible after each meeting has taken place. The agendas for meetings may be accessed from: Committees and Panels - Chelmsford City Council.

3. Good Governance and the Annual Governance Statement

- 3.1. As defined in Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016): *Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.*

3.2. As outlined in CIPFA publication “Audit Committees: Practical Guidance for Local Authorities (2018)”, the overall aim of good governance is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

3.3. Good governance is ultimately the responsibility of the governing body, as well as those with leadership roles and statutory responsibilities in the organisation, including the Chief Executive, the Director of Finance and the Monitoring Officer. In Local Government, the governing body is the Full Council. The Audit and Risk Committee should play a key role in supporting the discharge of these responsibilities by providing a high-level focus on audit, assurance and reporting.

3.4. The Council’s Annual Governance Statement (AGS) forms part of the Council’s Statement of Accounts and its purpose is to provide assurance regarding the Council’s governance arrangements and the extent to which the Council complies with its Local Code of Corporate Governance.

3.5. The Audit and Risk Committee reviewed the Annual Governance Statement for 2018/19 jointly with Governance Committee in June 2019. Progress on outstanding governance issues from 2018/19 were noted along with areas identified for 2019/20, such as new Corporate Plan performance monitoring, Cabinet Members/Overview and Scrutiny Committee, Cyber Security, Riverside, and Digital Transformation.

4. Internal Audit

4.1. The original audit plan for 2019/20 was approved by Audit and Risk Committee in March 2019.

4.2. During 2019/20, Audit and Risk Committee received several reports from Internal Audit, updating them on Internal Audit progress against the plan and high-risk issues identified. This included Internal Audit’s Annual Report for 2018/19 which provided an overall annual opinion of “moderate” assurance and the Interim Annual Report 2019/20.

4.3. The Audit and Risk Committee approved the Internal Audit Charter in May 2020.

4.4. Public Sector Internal Audit Standards

4.4.1. The Public Sector Internal Audit Standards (PSIAS) requires an External Quality Assessment (EQA) to be carried out at least once every five years by a qualified independent assessor from outside the organisation. The aim of the EQA is not just to measure compliance with the PSIAS but also to drive continuous improvement, value and effectiveness of internal audit.

4.4.2. Chelmsford City Council received an EQA carried out by Gateway Assurance in July 2018 and the outcome was presented to Audit Committee in September 2018. It was confirmed that Internal Audit complies with the expectations of PSIAS, however, further recommendations to drive continuous improvement, value and effectiveness of internal audit were also provided by the assessor.

- 4.4.3. Although there is no specific requirement by the Standards to formally carry out a follow up of these recommendations, it was considered to be good practice to carry out a self-assessment one year on, to demonstrate the actions taken by Internal Audit since the EQA. The outcome of this self-assessment was presented to Audit and Risk Committee in September 2019, where positive progress against implementation of the recommendations was noted.

5. Risk Management

- 5.1. It is the Council's policy to proactively identify, understand and manage the risks inherent in our services and associated with our plans and strategies, so as to:

- encourage responsible, informed risk taking
- reduce exposure to a tolerable level using a justifiable level of resources

- 5.2. An effective risk management framework should:

- provide risk information to support decision-making and resource allocation
- improve compliance with policies, procedures, laws and regulations and stakeholder expectations; and
- provide assurance to internal and external stakeholders that the Council is well managed

- 5.3. The risk management function assists the Council to identify, understand and manage its risks. It also reports twice a year to the Audit and Risk Committee to enable the Committee to:

- monitor the effective development and operation of risk management in the Council
- monitor progress in addressing risk-related issues reported to the Committee
- provide independent assurance to Members of the adequacy of the risk management framework

- 5.4. A comprehensive refresh of the Council's risk management framework began in early 2019 with a view to ensuring risk management becomes fully embedded across the Council.

- 5.5. In May 2020, Audit and Risk Committee received a summary of the progress made to date in implementing the new framework measured against the original objectives set out in the 2019-20 Risk Management Strategy (approved by Audit and Risk Committee in September 2019). Key outcomes to date were noted such as:

- Identification, analysis and regular reporting on the treatment of the Council's Principal Risks for Management Team and Audit and Risk Committee
- Revised risk criteria, aligned to Internal Audit definitions, which the Council is using to score its Principal Risks
- Comprehensive review of the data held within the existing risk management information system (RMIS), Pentana Risk
- Early development of risk indicators from available data

- 5.6. The Principal Risk Register is central to the risk management framework. Principal Risks are those which require regular oversight from Management Team and Audit and Risk Committee and may include:

- strategic risks arising from the Corporate Plan and/or external factors
- operational, compliance and project risks which, due to their nature or severity, require oversight at senior level

5.7. A summary of the Council's Principal Risks was presented to Audit and Risk Committee in September 2019 and May 2020; the latter having been comprehensively reviewed to take account of the impact of the Covid-19 pandemic on the Council's services.

5.8. In May 2020, Audit and Risk Committee also noted that the Council's new TechnologyOne Performance Planning module, is set to replace Pentana Risk as the Council's new risk management information system (RMIS), which will allow more effective tracking of strategic action plans (including 'Our Plan'); more efficient reporting of risk and performance, enabling further development of the Council's risk and performance indicators and; improved integration of financial and non-financial risk and performance information (giving users a 'single view of the truth').

5.9. In August 2019, in order to highlight their responsibility for overseeing the Council's risk management arrangements and processes, the Audit Committee extended its name to Audit and Risk Committee.

6. Countering Fraud and Corruption

6.1. The Fraud Investigations Annual Report was presented to Audit and Risk Committee in December 2019, which also set out the Corporate Fraud Team's objectives:

- Ensure that the Council has sufficient and appropriate resources on an ongoing basis to protect the delivery of its statutory duties and discretionary services from fraud, abuse and corruption.
- Contribute to the commitment of keeping Council Tax low by preventing and detecting frauds which deliberately target and affect the Authority's tax base
- Ensure that the Council adopts a modern and innovative approach to the delivery of its services and that they are not comprised by fraud.
- Provide independent and professional investigations into all aspects of fraud affecting the Council, preventing fraud and abuse and taking fair and consistent action against those committing offences.
- Support the Council's anti-fraud culture and framework.
- Deliver a corporate anti-fraud service that is innovative, professional and compliant with the relevant legislation.

6.2. The Committee noted that workstreams for the Fraud Team continued to be aligned to common themes set out within the Council's Anti-Fraud and Corruption Strategy, CIPFA Fighting Fraud and Corruption Locally 2016-2019 and the UK Government Anti-Corruption Strategy 2017-2022. Key activities of Council's Senior Financial Investigation Officer during 2019 were highlighted to the Committee, including the Council's involvement with International Fraud Awareness Week in November 2019.

7. External Audit and Financial Reporting

- 7.1. In September 2019, the Committee noted that the Council had published its draft Statement of Accounts for 2018/19 by 31st May, in order to meet the requirements for public access to, and inspection of, the accounts, in accordance with the timescales set out in the Accounts and Audit Regulations 2015. However, the Council's auditors, BDO LLP, were unable to complete the audit of the financial statements for the financial year 2018/19, by the target date of 31st July.
- 7.2. The Committee received a report outlining the reasons for the delay and noted that it was the first year of audit appointments made by Public Sector Audit Appointments (PSAA). BDO confirmed that the reason for the late opinion was due to auditor resource and that the delay was not caused by any deficiencies on the Council's part.
- 7.3. In December 2019, the Committee received an update from BDO regarding the significant ongoing delays to the completion of the 2018/19 audit, which had still not been completed due to ongoing resource restraints. The external audit was completed and signed on 4th February 2020.
- 7.4. In May 2020, the Committee received a report which provided them with an update from PSAA on the issues faced during the 2018/19 audit of Local Authority accounts and related matters.
- 7.5. The Committee also received the External Audit Annual Audit Letter 2018/19 from BDO in May 2020. It was noted that the letter summarised the key issues arising from the work they had carried out in respect of the year ended 31 March 2019. It was reported that the letter provided the Council with an unqualified audit opinion on the financial statements and value for money conclusion.
- 7.6. BDO also presented their Audit Planning Report 2019/20 and Progress Update in May 2020, which set out the key matters for the forthcoming 2019/20 Audit. The report covered various areas including, Scope and Materiality, Independence and Fees, Audit Risks and other matters. The report also updated Members on progress so far with the 2019/20 Audit. It was noted that planning and interim visits had been completed early in 2020 which included updating the understanding of the Council as a whole and updating documents on financial systems and IT general controls.
- 7.7. The Committee also received the received a report summarising the outcome of the agreed procedures in relation to the Council's 2018/19 housing benefit subsidy claim.

8. Additional Reports to Committee

8.1. Digital Strategy:

- In June 2019, the Committee received a report on the initial project objectives of the Digital Transformation Programme, details of the spending on it and the extent to which the programme's aims had been achieved so far.

8.2. Housing:

- In June 2019, the Committee considered a report on progress with the Transformation Programme for the Strategic Housing Service since it began in the autumn of 2017. It looked at how the service had been restructured, reviewed its performance, described how budget control had been improved, and the planned increase in partnership working.

- In September 2019, the Committee received a report providing further information on the use and costs of temporary accommodation. The report outlined the need, type and varied costs of temporary accommodation used to meet the Council's duties to those who are homeless.

9. Covid-19

- 9.1. In response to the coronavirus emergency and suspension of meetings in person, all Council meetings were moved online from May 2020. To this end, the scheduled March 2020 Audit and Risk Committee meeting was postponed to May 2020; the Committee's first virtual meeting.

10. Training and Development

- 10.1. Training and development has been provided to Members of the Audit and Risk Committee since its inception. Following a change of Committee Membership in May 2020, training was provided to new Committee Members, either as a separate session prior to the Committee meeting, or within the introduction to individual reports. Specific topics have included: Introduction to Audit Committee and Risk Management.

Membership of Audit and Risk Committee 2019/20

Councillor Dan Clark – Chair (June to December Meetings)

Councillor Nora Walsh – Chair (May Meeting)

Councillor Malcolm Watson – Vice Chair (from December)

Councillor Paul Clark

Councillor Jennie Lardge

Councillor James Raven

Councillor Eleanor Sampson

Councillor Malcolm Sismey

Councillor Natacha Dudley (from December)

Councillor Catherine Finnecy – (Vice Chair - June)

Audit and Risk Committee Work Programme 2019/20

June 2019

- Revenue Outturn Position 2018/19
- Capital Programme Update and Outturn
- Audit Committee Annual Report 2018/19
- Audit Committee Terms of Reference
- Internal Audit Annual Report 2018/19
- Digital Transformation Programme Update
- Strategic Housing Service Update
- (joint with Governance Committee) Review of Local Code of Corporate Governance and Annual Governance Statement

July 2019 - Cancelled

September 2019

- External Auditors Progress Report
- Risk Management Report
- Follow Up of Internal Audit External Quality Assessment
- Temporary Accommodation Use and Costs

December 2019

- External Auditors Progress Report
- Internal Audit Interim Report 2019/20
- Fraud Investigations Annual Report 2019

March 2020 - Postponed due to Covid-19

May 2020 (Virtual Meeting)

- Public Sector Audit Appointments (PSAA) Update
- External Audit Annual Audit Letter
- External Audit Planning Report 2019/20 and Progress Update
- External Audit Housing Benefit Subsidy Assurance Procedures 2018/19
- Internal Audit Plan – Covid-19 Response Phase
- Internal Audit Charter 2020
- Risk Management Report
- Accounting Policies for the 2019/20 Statement of Accounts

Audit and Risk Committee

Terms of Reference

Statement of Purpose

1. Our Audit and Risk Committee is a key component of Chelmsford City Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of our Audit and Risk Committee is to provide independent assurance to the Members (and others charged with governance in Chelmsford City Council e.g. Governance Committee) of the adequacy of the risk management framework and the internal control environment. It provides independent review of Chelmsford City Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees Internal Audit and External Audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk and Control

3. To review the Council's corporate governance arrangements against the 'Good Governance Framework' including the ethical framework and consider the Local Code of Governance.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
5. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
7. To monitor the effective development and operation of risk management in the Council.
8. To monitor progress in addressing risk-related issues reported to the Audit and Risk Committee.
9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
11. To monitor the counter-fraud strategy, actions and resources.
12. To review the governance and assurance arrangements for significant partnerships or collaborations

Internal Audit

13. To approve the Internal Audit Charter.

14. To review proposals made in relation to the appointment of external providers of Internal Audit services and to make recommendations.
15. To approve the risk-based Internal Audit plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
16. To approve significant interim changes to the risk-based Internal Audit plan and resource requirements.
17. To make appropriate enquiries of both management and the Audit Services Manager to determine if there are any inappropriate scope or resource limitations.
18. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Audit Services Manager. To approve and periodically review safeguards to limit such impairments.
19. To consider reports from the Audit Services Manager on Internal Audit's performance during the year, including the performance of external providers of Internal Audit services. These will include:
 - a) Updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of Internal Audit work
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme
 - c) Reports on instances where the Internal Audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether non-conformance is significant enough that it must be included in the Annual Governance Statement.
20. To consider the Audit Services Manager's annual report:
 - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of Internal Audit.
 - b) The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Audit and Risk Committee in reviewing the Annual Governance Statement.
21. To consider summaries of specific Internal Audit reports as requested.
22. To receive reports outlining the action taken where the Audit Services Manager has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
23. To contribute to the Quality Assurance and Improvement Programme and in particular to the external quality assessment of Internal Audit that takes place at least once every five years.
24. To consider a report on the effectiveness of Internal Audit to support the Annual Governance Statement as required to do so by the Account and Audit Regulations (Regulation 6) which requires an annual review of the effectiveness of the Council's system of Internal Audit. The findings of the review of the effectiveness must be considered as part of the Audit and Risk Committee's view of the system of internal control.

25. To provide free and unfettered access to the Audit and Risk Committee Chair for the Audit Services Manager, including the opportunity for a private meeting with the Audit and Risk Committee.

External Audit

26. To support the independence of External Audit through consideration of the External Auditor's annual assessment of its independence and review of any issues raised by the PSAA.
27. To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.
28. To consider specific reports as agreed with the External Auditor
29. To comment on the scope and depth of External Audit work and to ensure it gives value for money
30. To commission work from Internal and External Audit.
31. To advise and recommend on the effectiveness of relationships between External and Internal Audit and other inspection agencies or relevant bodies.

Financial Reporting

32. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the Council.
33. To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

34. To report to those charged with governance on the Audit and Risk Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangement, and internal and External Audit functions.
35. To report to Full Council on a regular basis the Audit and Risk Committee's performance in relation to the terms of reference and effectiveness of the Audit and Risk Committee in meeting its purpose.
36. To publish an annual report on the work of the Audit and Risk Committee.



Chelmsford City Council Audit and Risk Committee

17th June 2020

Audit and Risk Committee Terms of Reference 2020

Report by:

Director of Financial Services

Officer Contact:

Elizabeth Brooks, Audit Services Manager, elizabeth.brooks@chelmsford.gov.uk

Purpose

This report outlines revised Terms of Reference for the Audit Committee in line with the CIPFA document "Audit Committees: Practical Guidance for Local Authorities (2018)".

Recommendations

Audit and Risk Committee are requested to note and agree the Terms of Reference for 2020.

1. Introduction

- 1.1. Audit Committees are a key component of the Council's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 1.2. The purpose of an audit committee is to provide those charged with governance in the Council independent assurance on the adequacy of the Council's risk management framework, internal control environment and the integrity of the

June 2020

financial reporting and governance process. By overseeing both internal and external audit, it makes an important contribution to ensuring that effective management arrangements are in place.

- 1.3. The CIPFA document “Audit Committees: Practical Guidance for Local Authorities (2018), outlines the core functions of the Audit Committee and advises how Audit Committees should demonstrate their independence and effectiveness. To this end, the publication provides a recommended template for Audit Committees to adopt to ensure they are performing at an optimal level.

2. Conclusion

The Audit and Risk Committee Terms of Reference, which is in line with best practice, is attached for Audit and Risk Committee to note and agree. The document has been updated to reflect the name change to incorporate ‘Audit and Risk Committee’. There are no other material changes from 2019.

List of appendices: Audit and Risk Committee Terms of Reference 2020

Background papers: None

Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).

A number of recent legislative changes have emphasised the importance of the audit committee. Key developments include:

- the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)
- updates to the PSIAS in 2016 and 2017
- the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management and outside parties (e.g. External Audit) on the adequacy and effectiveness of governance, risk management, and control process for Chelmsford City Council.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: Chair of the Audit and Risk Committee.

Relevant Policies and Strategies: None

Audit and Risk Committee

Terms of Reference

Statement of Purpose

1. Our Audit and Risk Committee is a key component of Chelmsford City Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of our Audit and Risk Committee is to provide independent assurance to the Members (and others charged with governance in Chelmsford City Council e.g. Governance Committee) of the adequacy of the risk management framework and the internal control environment. It provides independent review of Chelmsford City Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees Internal Audit and External Audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk and Control

3. To review the Council's corporate governance arrangements against the 'Good Governance Framework' including the ethical framework and consider the Local Code of Governance.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
5. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
7. To monitor the effective development and operation of risk management in the Council.
8. To monitor progress in addressing risk-related issues reported to the Audit and Risk Committee.
9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
11. To monitor the counter-fraud strategy, actions and resources.
12. To review the governance and assurance arrangements for significant partnerships or collaborations

Internal Audit

13. To approve the Internal Audit Charter.
14. To review proposals made in relation to the appointment of external providers of Internal Audit services and to make recommendations.
15. To approve the risk-based Internal Audit plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
16. To approve significant interim changes to the risk-based Internal Audit plan and resource requirements.
17. To make appropriate enquiries of both management and the Audit Services Manager to determine if there are any inappropriate scope or resource limitations.
18. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Audit Services Manager. To approve and periodically review safeguards to limit such impairments.
19. To consider reports from the Audit Services Manager on Internal Audit's performance during the year, including the performance of external providers of Internal Audit services. These will include:
 - a) Updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of Internal Audit work
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme
 - c) Reports on instances where the Internal Audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether non-conformance is significant enough that it must be included in the Annual Governance Statement.
20. To consider the Audit Services Manager's annual report:
 - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of Internal Audit.
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23. To contribute to the Quality Assurance and Improvement Programme and in particular to the external quality assessment of Internal Audit that takes place at least once every five years.

24. To consider a report on the effectiveness of Internal Audit to support the Annual Governance Statement as required to do so by the Account and Audit Regulations (Regulation 6) which requires an annual review of the effectiveness of the Council's system of Internal Audit. The findings of the review of the effectiveness must be considered as part of the Audit and Risk Committee's view of the system of internal control.
25. To provide free and unfettered access to the Audit and Risk Committee Chair for the Audit Services Manager, including the opportunity for a private meeting with the Audit and Risk Committee.

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Accountability Arrangements

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36. To publish an annual report on the work of the Audit and Risk Committee.

Audit and Risk Committee

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33. To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

34. To report to those charged with governance on the Audit and Risk Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangement, and internal and External Audit functions.
35. To report to Full Council on a regular basis the Audit and Risk Committee's performance in relation to the terms of reference and effectiveness of the Audit and Risk Committee in meeting its purpose.
36. To publish an annual report on the work of the Audit and Risk Committee.



Chelmsford City Council Audit and Risk Committee

17th June 2020

Audit and Risk Committee Work Programme

Report by:

Director of Financial Services

Officer Contact:

Elizabeth Brooks, Audit Services Manager, elizabeth.brooks@chelmsford.gov.uk

Purpose

This report updates the rolling programme of work for this Committee

Recommendations

That the rolling programme of work for the Committee is agreed

1. Introduction

- 1.1. It is important that the Audit & Risk Committee has sufficient skills to discharge its duties. The Council will provide training on a rolling basis to Audit & Risk Committee members on key topics that form part of the duties under their Terms of Reference.
- 1.2. The Audit & Risk Committee also works to a standard programme of work to ensure that their work is spread evenly across meetings, as far as possible, and to ensure that core reports are produced at the appropriate time within the Council's reporting timetable. Due to the Covid-19 pandemic and the impact on the timing of the Council's Annual Accounts, an additional meeting has been included for November 2020.

2. Rolling Programme of Work

- 2.1. Many of the reports submitted to this Committee are presented on a cyclical basis and can be timetabled for particular meetings. However, from time to time additional reports are requested which are presented to future meetings. The proposed rolling programme of work for this Committee for the next series of meetings is shown below.

29th July 2020

Agenda Item	Report Owner
Training: Year End Accounts 2019/20	Accountancy Services Manager
External Audit Update	BDO
Draft 2019/20 Accounts	Accountancy Services Manager

23rd September 2020

Agenda Item	Report Owner
Risk Management Report	Procurement and Risk Services Manager
Internal Audit Update – Corona Response Phase	Audit Services Manager
Internal Audit Revised Audit Plan 2020/21	Audit Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

25th November 2020

Agenda Item	Report Owner
External Audit Results Report	BDO
Sign-off 2019/20 Accounts/Audit Opinion and Completion Certificate	Director of Financial Services
International Standard on Auditing (ISA) 260 - requires the Council's External Auditors to report to those charged with governance those relevant matters arising from the audit prior to issuing the Statement of Accounts	BDO

16th December 2020

Agenda Item	Report Owner
External Audit Annual Audit Letter	BDO
Internal Audit Interim Report 2020/21	Audit Services Manager
Anti-Fraud and Investigations Annual Report 2020	Procurement and Risk Services Manager

Agenda Item 11

Procurement Update	Procurement and Risk Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

17th March 2021

Agenda Item	Report Owner
External Audit Annual Audit Plan 2020/21	BDO
Certification of Claims Returns	
Internal Audit Plan 2021/22	Audit Services Manager
Internal Audit Charter 2021	
Risk Management Report	Procurement and Risk Services Manager
Approval of Accounting Policies	Accountancy Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

List of appendices: None

Background papers: None

Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015). A number of recent legislative changes have emphasised the importance of the Audit & Risk Committee. Key developments include:

- the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)
- updates to the PSIAS in 2016 and 2017
- the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: The role of the Audit & Risk Committee in relation to risk management covers: assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks; keeping up to date with the risk profile and the effectiveness of risk management actions and; monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: None

Relevant Policies and Strategies: None
