

Audit and Risk Committee Agenda



18 March 2026 at 7pm

Marconi Room, Civic Centre, Chelmsford

Membership

Councillor N. Walsh (Chair)

and Councillors

G. Bonnett, N. Bugbee, H. Clark, N. Dudley, S. Rajesh, J. Raven, M. Sismey and A. Sosin

Local people are welcome to attend this meeting, where your elected Councillors take decisions affecting YOU and your City. There will also be 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. To find out more about attending please email committees@chelmsford.gov.uk or telephone on Chelmsford (01245) 606480

Audit and Risk Committee

18 March 2026

AGENDA

1. Apologies for Absence and Substitutions

2. Minutes

To consider the minutes of the meeting held on 28 January 2026.

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 20 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.

5. Announcements

6. Internal Audit Plan 2026 and Internal Audit Charter

7. Risk Management Report

8. Accounting Policies

9. Work Programme

10. 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 28 January 2026 at 7pm**

Present:

Councillor N. Walsh (Chair)

Councillors, N. Dudley, S. Rajesh, J. Raven and A. Sosin

Independent Person –
Ms J Hoeckx

1. Apologies for Absence and Substitutions

Apologies for absence were received from Councillors Bonnett, Bugbee and Sismey and Mr Groves.

2. Minutes

The minutes of the meeting on 26 November 2025 were confirmed as a correct record.

3. Declarations of Interests

All Members were reminded to disclose any interests in items of business on the meeting's agenda and that they should do so at this point on the agenda or as soon as they became aware of the interest. They were also obliged to notify the Monitoring Officer of the interest within 28 days of the meeting if they had not been previously notified. None were made.

4. Public Questions

There were no questions or statements from members of the public.

5. Announcements

No announcements were made.

6. Audit Results Report - Auditors Annual Report and Accounts

The Committee received the Audit Results Report for 2024/25, together with verbal updates from the Section 151 Officer and Ernst & Young (EY). Members were advised that although substantial work had been completed, the external audit could not be finalised before the statutory backstop date so a disclaimed audit opinion was to be issued. This position reflected the national backlog in local government audits and the historic lack of assurance over opening balances arising from previous years' disclaimed opinions.

EY reported that no significant weaknesses or material errors had been identified in the areas reviewed. The Annual Governance Statement was considered consistent with EY's understanding of the Council, and no significant weaknesses had been identified in the value-for-money arrangements. Assurance gaps remained in areas such as PPE valuations, reserves, debtor and creditor listings, and journal testing, largely due to capacity constraints and systemic issues carried forward from prior years.

In response to questions members were informed that;

- EY could not issue an audit certificate because the National Audit Office had not yet confirmed the further procedures required for authorities below the threshold, including Chelmsford. EY confirmed this was a national issue.
- difficulties with debtor and creditor testing stemmed from the need for transaction-level listings across multiple systems, which made sampling challenging.
- In relation to journal testing, EY reported that some queries could not be resolved due to finance team capacity at the time, but spot testing had not identified any issues. The s151 of the Council noted that at the beginning of the audit in October, EY had committed to finish the audit work by Christmas. This recognised the significant resource required by the Council to support the audit, which would be unavailable during a complex 2026/27 budget process. Also, the desire by EY and the Council to return to audits being of an appropriate duration.
- In relation to PPE valuations, EY explained that delays in receiving information from the external valuer continued to hinder progress, and both EY and officers would need to focus on earlier-year work ahead of Local Government Reorganisation.

The s151 committed to providing an update to the committee in September on the issues identified by the auditors. This report would reflect that both EY and Council officers would need to contribute to resolving the current bottle necks in the audit

RESOLVED that;

1. The verbal update and the draft Audit Results Report to be noted,
2. The Statement of Accounts 2024/25 be approved and,
3. Authority be delegated to the Chair of the Audit and Risk Committee, in consultation with the Section 151 Officer, to approve any additional steps to finish the audit process and the letter of representation, arising out of any outstanding audit work, and to publish the final Statement alongside the audit opinion.

(7.05pm to 7.43pm)

7. Internal Audit Interim Report

The Committee received the Internal Audit Interim Report and noted the current status of Internal Audit work. Committee were advised the plan is on track to be completed by 31st March in line with KPI's, and as usual a more detailed update on

the outcomes of completed work will be provided to Committee in the Internal Audit Annual Report.

RESOLVED that the report be noted.

(7.43pm to 7.48pm)

8. Procurement Update

The Committee received the Annual Procurement Report, which outlined procurement activity, key achievements, legislative updates and planned work. Notable achievements included savings from the HVO fuel tender, joint CCTV procurement with Maldon and Epping Forest District Councils and the renewal of key corporate systems such as Wi-Fi, cashless parking, HR and payroll. The shared service with Uttlesford District Council continued to perform well.

Members noted the implementation of the Procurement Act 2023, with procedures, documentation and training updated in line with the new requirements and several procurements already delivered under the new regime. Additional transparency and reporting duties would come into effect from 2026.

The Committee was updated on compliance activity, including a Council-wide review of the contracts register and spend compliance ahead of Local Government Reorganisation. It was noted that restrictions on new contracts may apply once decisions on Unitary arrangements were confirmed and that additional temporary resource may be needed.

Members were advised of planned work for 2026, including renewal of several high-value contracts and updates to the Procurement Strategy, Social Value Policy and Procurement Manual. Internal Audit would review procurement processes later in the year.

RESOLVED that the report be noted.

(7.48pm to 7.59pm)

9. Work Programme

The Committee received an update on the work programme for 2025-26.

RESOLVED that the work programme of the Committee be noted.

(7.59pm to 8.00pm)

10. Urgent Business

The meeting closed at 8:02 pm.

Chair



Chelmsford City Council Audit and Risk Committee

18th March 2026

Internal Audit Plan 2026 and Charter

Report by:

Audit Services Manager

Officer Contact:

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

Purpose

This report presents the Internal Audit Plan for 2026 and Internal Audit Charter to Committee.

Recommendations

Committee are requested to approve the Internal Audit Plan for 2026 and Internal Audit Charter.

1. Introduction

- 1.1. 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, S151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations.
- 1.2. The Audit Services Manager is also responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance statement. The annual opinion will also conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

- 1.3. In order to achieve this, Internal Audit have developed the attached internal audit plan for 2026 which is based on a prioritisation of the audit universe using a risk-based methodology, including input from the Council's 'Our Chelmsford Our Plan', Principal Risk Register, Fraud Risk Register as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks.
- 1.4. In line with previous years, we have produced a draft 6-month workplan from April to September, with suggested areas for October to March that we can be flexible over delivering nearer the time but equally be in a good place to respond to any higher risks that might emerge in the meantime.
- 1.5. There are, however, fewer planned audits than previous years to allow for additional contingency to cover any resource required/requested for LGR purposes if required, but this will be kept under review.

2. Internal Audit Budget and Resources

- 2.1. The plan has been drawn up to address the key risks for the Council, taking into account available resources.
- 2.2. In order to ensure Internal Audit have an appropriate range of knowledge, skills, qualifications and experience that is required to deliver the audit plan, the Audit Services Manager will consider the external support required to deliver areas where specialist input would be beneficial, and to provide contingency in the event of any gaps in in-house staffing, alongside in-house delivery (1.6 FTE Senior Auditor).
- 2.3. Changes to the plan may be necessary during the year to reflect changing priorities and risk environment. A contingency has therefore been set aside to cover requests from management for ad hoc, advisory type work on risk identification and subsequent control design (as well as urgent, unplanned reviews arising during the year).

3. Assurance Levels/Basis of Opinion

- 3.1. Management Team and the Audit & Risk Committee will continue to receive details of critical/high priority issues raised in audit reviews which result in 'limited' or 'no' assurance statements, as part of the bi-annual reporting process.
- 3.2. Internal Audit may also undertake work which does not contribute explicitly to the overall audit opinion and/or deliver an assurance statement. These may include certification of grant claims or consulting activities where Internal Audit provide independent and objective advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary.
- 3.3. Where such work is undertaken, this will be set out as part of Internal Audit's annual report. In order to protect Internal Audit's independence and minimise the impact on the delivery of the overall plan, the Audit Services Manager will give due consideration to the appropriateness of undertaking such work.

4. Key Financial Systems (KFS)

- 4.1. The audit plan includes resource allocated to Key Financial Systems (KFS) work. This includes risk-based monitoring of key controls within finance systems to assess whether they are operating effectively.

5. Follow Up Audits

- 5.1. Follow-up procedures provide management with updated information about whether key risks have been properly mitigated through remedial actions.
- 5.2. All planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented. A budget for follow ups has been accounted for in the plan.

6. Alignment with Counter Fraud and Risk Management

- 6.1. In accordance with the audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls and emerging risks. Any suspicion of fraud will be handled by the team in line with Council's fraud response plan.
- 6.2. Internal Audit will also discuss and exchange risk information and any emerging issues which may impact on the Council's wider risk management framework.

7. Internal Audit Charter

- 7.1. The Global Internal Audit Standards require the use of an internal audit charter, defined as "a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of services, and other specifications".

8. Conclusion

- 8.1. The Internal Audit Plan 2026 and Internal Audit Charter 2026 is attached for Audit & Risk Committee to approve.

List of appendices: Internal Audit Plan 2026 and Internal Audit Charter 2026

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).

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: Agreed by Management Team February 2026

Relevant Policies and Strategies: None

Internal Audit Draft Annual Plan 2026 (April to September)

Area	Audit Title	Indicative Scope	Quarter	Link to Corporate Plan	Link to Principal Risk	Fraud Risk Assessment
Cross-Council	Procurement cards	<i>Review of the Council's control framework for managing the use of Procurement Cards</i>	1		PRR032 Budget and Financial Position	FRC06 Payment Fraud; FRC08 Theft
Cross-Council	Polygamous Employment	<i>Review of the Council's control environment in relation to identifying and monitoring risks relating to polygamous employment i.e. holding more than one full time job simultaneously</i>	1		PRR005 Fraud	FRC07 Payroll and expenses; FRC08 Theft; FRC09 Recruitment;
Cross-Council	Fleet Management/Vehicle Maintenance	<i>Review of the arrangements in place for the management and maintenance of Council fleet, including Freighter House, Parks/Ground Maintenance as well as SEPP and Car Parks fleet as well as MOT testing and taxi inspections.</i>	1	A Safer and Greener Place	PRR014 Health and Safety	FRC08 Theft
Cross-Council	Commercial Hires	<i>Review of the Council's control framework for managing commercial hire of Council venue</i>	2		PRR 032 Budget and Financial Position; PRR 015 Safeguarding	FRC 011 Income Collection
Chief Executive	Capital Expenditure	<i>Review the Council's control framework for managing its Capital Expenditure programme.</i>	2		PRR032 Budget and Financial Position	FRC010 Manipulation of data/ false accounting
Connected Chelmsford	Museum of Chelmsford	<i>Review of operational and financial arrangements for exhibitions, events, community outreach and education. To include a review of the Council's Cultural Strategy in relation to the Museum and its framework for monitoring progress.</i>	2	Connected Chelmsford	PRR032 Budget and Financial Position	FRC011 Income Collection; FRC008 Theft
Connected Chelmsford	Cyber Security	<i>Review of 2025 Cyber Posture Review action plan progress and review the Council's arrangements for monitoring PSN and PCI compliance.</i>	2		PRR001 Cyber Security	FRC01 Data theft and other cyber crime
Sustainable Communities	Temporary Accommodation	<i>Review of the Council's arrangements for Temporary Accommodation, including procurement and monitoring of providers</i>	1	Fairer and Inclusive Chelmsford	PRR006 Homelessness	FRC03 Social Housing and Tenancy; FRC012 No Recourse to Public Funds; FRC05 Decision-making
Sustainable Communities	Community and Business Grants	<i>Review of the control framework in relation to the Council's Community and Business Grant funding schemes, including non-financial risks relating to third sector partners.</i>	2	Connected Chelmsford	PRR032 Budget and Financial Position	FRC018 Grants Received and Payable
Public Places	Business Continuity	<i>Review of the Council's control framework for Business Continuity.</i>	2		PRR 003 Business Continuity	

Proposed Audit Areas (October to March 2027)

Area	Audit Title	Link to Corporate Plan	Link to Principal Risk	Fraud Risk Assessment
Chief Executive	Key Financial Systems 2026/27 – Scope TBC		PRR 032 Budget and Financial Position	FRC06 Payment Fraud; FRC08 Theft; FRC 011 Income Collection
Chief Executive	Procurement & Contract Management		PRR 032 Budget and Financial Position	FRC 004 - Procurement and contracting; FRC05 Decision-making
Chief Executive	Insurance		PRR 019 - Income & Financial Position	FRC019 - Insurance claims
Connected Chelmsford	Theatres	Connected Chelmsford	PRR 032 Budget and Financial Position	FRC 011 - Income Collection; FRC 008 Theft
Connected Chelmsford	AI Policy		PRR001 Cyber Security	FRC01 Data theft and other cyber crime
Sustainable Communities	Planning Fees		PRR 032 Budget and Financial Position	FRC 011 Income Collection
Sustainable Communities	Building Control		PRR037 Building Control	FRC05 Decision-making
Public Places	Safeguarding		PRR 015 Safeguarding	
Public Places	Garden Waste		PRR 032 Budget and Financial Position	FRC 011 Income Collection
Public Places	Arboriculture		PRR014 Health and Safety	

Notes:

- The audit titles and high-level scopes included below are only indicative at this stage. At the start of each audit, an initial discussion will be held to agree the specific objective and scope of the review.
- LGR will be considered within individual scopes where applicable and contingency put aside for adhoc advice and support where required/requested.

Internal Audit Charter for Chelmsford City Council

Purpose

The purpose of the internal audit function is to strengthen Chelmsford City Council's ability to create, protect, and sustain value by providing the Audit and Risk Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances Chelmsford City Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Chelmsford City Council's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Audit and Risk Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

Chelmsford City Council's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Audit Services Manager will report annually to Audit and Risk Committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

Authority

Chelmsford City Council's internal audit function mandate is found in: the Accounts and Audit Regulations 2015 which states: *Internal Audit: 5.(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. (2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit— (a) make available such documents and records; and (b) supply such information and explanations; as are considered necessary by those conducting the internal audit. (3) In this regulation "documents and records" includes information recorded in an electronic form.*

Also in the Local Government Measure 2011 as amended by the Local Government and Elections (Wales) Act 2021 (extract)) which states: *81. Local authorities to appoint governance and audit committees: (1) A local authority must appoint a committee (a "governance and audit committee") to— ... (e) oversee the authority's internal and external audit arrangements.*

The internal audit function's authority is created by its direct reporting relationship to the Audit and Risk Committee. Such authority allows for unrestricted access to the Audit and Risk Committee.

The Audit and Risk Committee authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of Chelmsford City Council and other specialised services from within or outside Chelmsford City Council to complete internal audit services.

Independence, Organisational Position, and Reporting Relationships

The Audit Services Manager will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See "Mandate" section.) The Audit Services Manager will report functionally to the Audit and Risk Committee and administratively (for example, day-to-day operations) to the Chief Executive. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Audit and Risk Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Audit Services Manager will confirm to the Audit and Risk Committee, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the Audit Services Manager will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.

The Audit Services Manager will disclose to the Audit and Risk Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Audit Services Manager, Audit and Risk Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the organisation.
- Significant changes in the Audit Services Manager, Audit and Risk Committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Audit and Risk Committee Oversight

To establish, maintain, and ensure that Chelmsford City Council's internal audit function has sufficient authority to fulfill its duties, the Audit and Risk Committee will:

- Discuss with the Audit Services Manager and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the Audit Services Manager has unrestricted access to, and communicates and interacts directly with, the Audit and Risk Committee, including in private meetings without senior management present.
- Discuss with the Audit Services Manager and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the Audit Services Manager and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the Audit Services Manager to consider changes affecting the organisation, such as the employment of a new Audit Services Manager or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter annually.
- Approve the risk-based internal audit plan.
- Advocate to senior management, which submits budgetary requests to Full Council, for sufficient budget and resources allowing the internal audit function to fulfill its mandate and accomplish its audit plan.
- Provide input to senior management on the appointment and removal of the Audit Services Manager, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Receive communications from the Audit Services Manager about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the Audit Services Manager to determine whether scope or resource limitations are inappropriate.

Audit Services Manager Roles and Responsibilities

Ethics and Professionalism

The Audit Services Manager will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behavior that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The Audit Services Manager will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Audit Services Manager determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Chelmsford City Council or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Chelmsford City Council employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Audit Services Manager, Audit and Risk Committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Audit Services Manager – Other Areas of Responsibility

The Audit Services Manager has strategic responsibility for Counter Fraud and Risk Management and since this role may involve establishing and maintaining the control environment, the appropriate measures and safeguards will be put in place to preserve independence and objectivity, such as:

- The work being managed and led by a Senior Auditor, independently from the Audit Services Manager
- Utilising Internal Audit's external co-sourced provider
- Conclusions being reported directly to the Council's Chief Executive

Managing the Internal Audit Function

The Audit Services Manager has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit and Risk Committee and senior management. Discuss the plan with the Audit and Risk Committee and senior management and submit the plan to the Audit and Risk Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit and Risk Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in Chelmsford City Council's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit and Risk Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit and Risk Committee and senior management and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues and communicate to the Audit and Risk Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the audit function.
- Ensure adherence to Chelmsford City Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit and Risk Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Audit Services Manager cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit and Risk Committee.

Communication with the Audit and Risk Committee and Senior Management

The Audit Services Manager will report at least annually to the Audit and Risk Committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit and Risk Committee that could interfere with the achievement of Chelmsford City Council's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond Chelmsford City Council's risk appetite.

Quality Assurance and Improvement Program

The Audit Services Manager will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the Audit Services Manager will communicate with the Audit and Risk Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Chelmsford City Council; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organisation, including all of Chelmsford City Council's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit and Risk Committee and management on the

adequacy and effectiveness of governance, risk management, and control processes for Chelmsford City Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of Chelmsford City Council's strategic objectives are appropriately identified and managed.
- The actions of Chelmsford City Council's officers, directors, management, employees, and contractors or other relevant parties comply with Chelmsford City Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programmes are consistent with established goals and objectives.
- Operations and programmes are being carried out effectively, efficiently and ethically.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Chelmsford City Council.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approved by the Audit and Risk Committee at its meeting on [DATE]

Acknowledgments/Signatures:

Elizabeth Brooks

February 2026

Audit Services Manager

Date

Audit and Risk Committee Chair

Date

Nick Eveleigh

February 2026

Chief Executive

Date



Chelmsford City Council Audit and Risk Committee

18th March 2026

Risk Management Report – March 2026

Report by:

Audit Services Manager

Officer Contact:

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

Purpose

This report summarises the current position for the Council's Principal Risks.

Recommendations

Audit and Risk Committee are requested to note the contents of this report.

1. Background

- 1.1. 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 within its risk appetite and reduce exposure to a tolerable level using a justifiable level of resources.
- 1.2. 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.

- 1.3. The risk management function assists the Council to identify, understand and manage its risks. The function 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.

2. Principal Risk Summary

- 2.1. The Principal Risk Register is central to the risk management framework, owned by Management Team and covers the Council's strategic risks which require regular oversight at senior level to ensure that, where necessary, action is taken to further mitigate risks outside the Council's indicative risk appetite.
- 2.2. Corporate Risk Management liaise with nominated Risk Owners, Service Managers and Directors to update each Principal Risk, and report bi-annually to Management Team and Audit and Risk Committee to facilitate their monitoring and oversight.
- 2.3. An update of the Principal Risk Register was undertaken during January 2026 to ensure it is up to date and reflects the current risk profile and risk appetite. The summary and heatmap is at Appendix A below.
- 2.4. The Risk Management process is a subjective management tool and is designed to assist the strategic direction, and operational running of the Council and ensure key issues are highlighted and resources allocated appropriately. It is essential to consider that:
 - Some risks may be heavily influenced by external factors outside the Council's control
 - Where inherent risk is increasing, additional work may have been undertaken to maintain the same current risk level.
 - Risks are constantly changing.

3. Conclusion

- 3.1. The Principal Risk Summary is attached for Audit & Risk Committee to note.

List of appendices:

1. Principal Risk Summary

Background papers: None

Corporate Implications

Legal/Constitutional: The Council has a legal duty to ensure that it has a sound system of internal control, which includes effective arrangements for the management of risk (Regulation 3 (Part 2) of the Audit and Accounts Regulations 2015). The risk management framework encourages risk owners to consider the potential legal and regulatory consequences, should a risk event occur.

Financial: The risk management framework encourages risk owners to consider the potential financial consequences, should a risk event occur.

Potential impact on climate change and the environment/ Contribution toward achieving a net zero carbon position by 2030: Reputational consequences set out within the risk management framework encourage risk owners to consider environmental aspects of their activities.

Personnel: The corporate risk management framework is being implemented within existing staff budgets.

Risk Management: Effective risk management is an essential part of good governance, providing assurance to internal and external stakeholders that the Council is well-managed. This report is intended to enable the Committee to fulfil its role in overseeing the effective operation and development of risk management at the Council.

Equality and Diversity: Equalities implications of Council activities are considered at initiative level.

Health and Safety: The risk management framework encourages risk owners to consider the potential safety, health and wellbeing implications for staff and/or service users, should a risk event occur.

Digital: Risks relating to cyber security are considered within the risk management framework

Other: None

Consultees: Management Team reviewed the Principal Risk update in February 2026

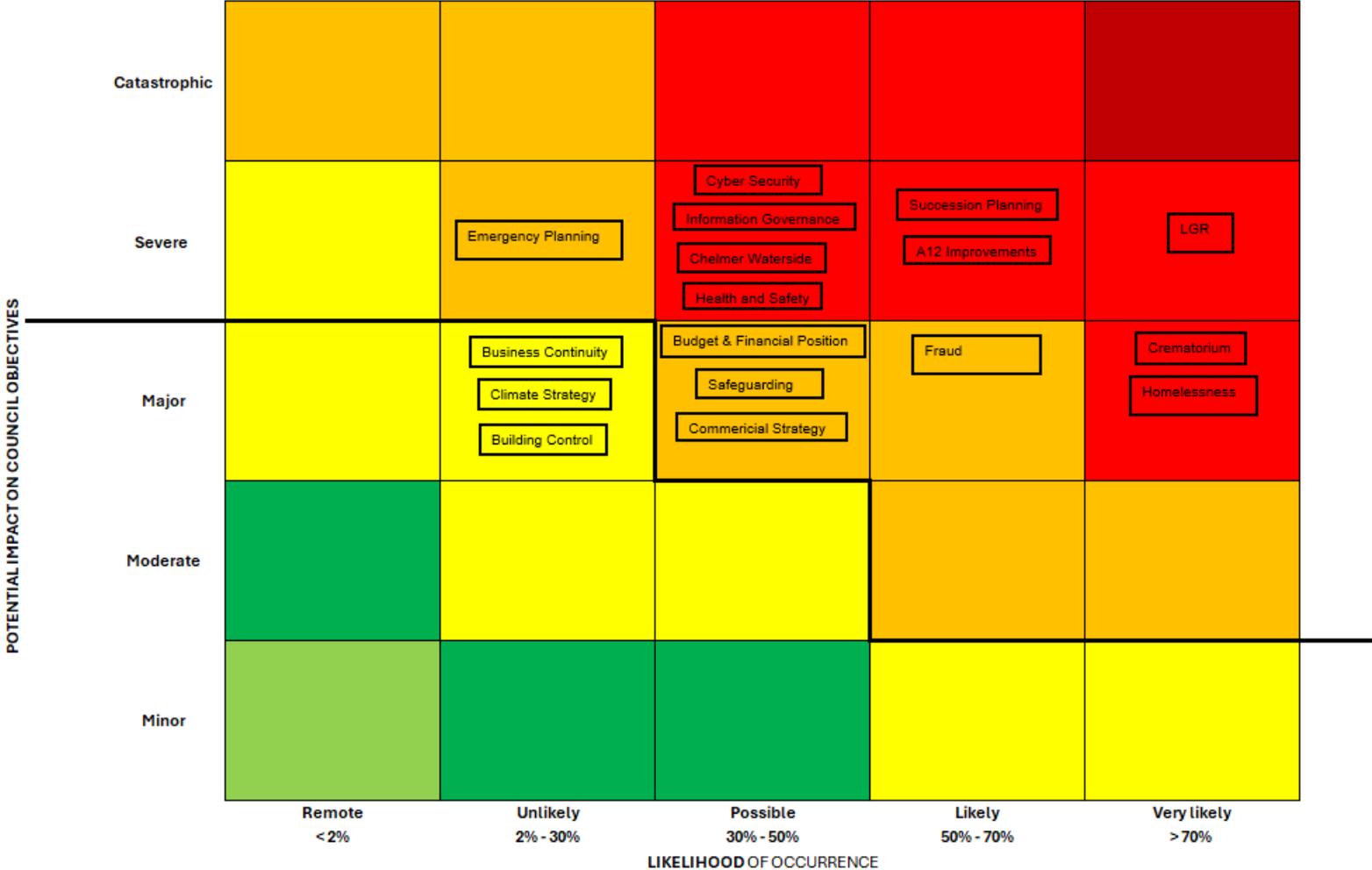
Relevant Policies and Strategies: None

Principal Risk Register

Ref	Risk Title	Our Plan Theme	Director	Current Risk Rating	Risk Score	Direction of travel	Potential Risk Event
PRR031	Local Government Reorganisation	All Themes	Nick Eveleigh	Very High	24	↔	Disruption to governance, service delivery, and financial stability during the transition to a new local government structure may lead to reduced service quality, staff uncertainty and increased costs.
PRR023	Succession Planning (Loss of Key Personnel)	All Themes	Nick Eveleigh	Very High	20	↔	Loss of key staff may result in a significant loss of knowledge and experience which could seriously impact on service delivery.
PRR036	A12 Improvements	A fairer and more inclusive place	Paul Brookes	Very High	20	↔	Failure to secure future infrastructure funding for A12 J19 may lead to key strategic sites in the Local Plan not being deliverable, which may stall housing and economic growth as well as increasing congestion.
PRR034	Loss or damage to the crematorium	A greener and safer place	Keith Nicholson	Very High	18	↑	The Council may be unable to meet its obligations as the burial and cremation authority for the area.
PRR006	Homelessness	All Themes	Paul Brookes	Very High	18	↔	Inability to meet our statutory obligations to the homeless and provide suitable temporary accommodation may lead to legal breaches, financial penalties, reputational damage, and increased pressure on staff and services.
PRR001	Cyber Security	All Themes	Louise Goodwin	Very High	16	↔	Malicious attack(s) may result in significant disruption to critical services, including the Council's statutory emergency response, and may lead to data breaches, regulatory penalties and financial losses.
PRR012	Chelmer Waterside	A fairer and more inclusive place	Keith Nicholson	Very High	16	↔	Failure to deliver the Chelmer Waterside development as planned may result in financial and reputational loss, missed housing and funding opportunities, and impacted relationships with key partners.
PRR014	Health & Safety	A greener and safer place	Keith Nicholson	Very High	16	↔	A serious health and safety incident may result in injury or death, trigger costly regulatory investigations, damage the Council's reputation, and negatively impact staff morale and service delivery.
PRR016	Information Governance	All Themes	Louise Goodwin	Very High	16	↔	A serious data breach and/or other significant instance of non-compliance with data legislation may result in costly regulatory investigations leading to significant fines, and damage to the Council's reputation.
PRR005	Fraud	All Themes	Nick Eveleigh	High	15	↔	Fraudulent activity may lead to significant financial loss, misallocation of limited resources, and reputational damage due to perceived inaction or poor oversight, as well as hindering the Council's obligations under the Economic Crime and Corporate Transparency Act (ECCTA) 2023 'Failure to Prevent Fraud' offence.

Ref	Risk Title	Our Plan Theme	Director	Current Risk Rating	Risk Score	Direction of travel	Potential Risk Event
PRR004	Emergency Planning	A greener and safer place	Keith Nicholson	High	12	↔	Ineffective emergency planning response(s) may lead to avoidable harm, extended disruption, reputational damage, and increased financial costs due to reactive management, as well as hindering the Council's statutory emergency response obligations under the Civil Contingencies Act.
PRR015	Safeguarding	A greener and safer place	Nick Eveleigh	High	12	↔	Failure in safeguarding responsibilities may result in serious harm to individuals, loss of public trust, and negative impacts on staff morale and the Council's reputation.
PRR032	Budget & Financial Position	All Themes	Nick Eveleigh	High	12	↓	The Council's financial position may become unsustainable due to ongoing budgetary pressures, reduced income streams, and increasing service demands, potentially impacting the delivery of statutory and discretionary services.
PRR033	Commercial Strategy	A greener and safer place	Keith Nicholson	High	12	↓	Investment decisions driven by commercial strategy may expose the organisation to significant financial and reputational risks due to inadequate due diligence, excessive borrowing, poor diversification, weak governance, regulatory missteps, or external economic shocks.
PRR025	Climate & Ecological Emergency Strategy	A greener and safer place	Keith Nicholson	Medium	9	↓	The Council's strategy to respond to, manage and monitor the Climate and Ecological Emergency (called at Full Council in July 2019) may not be clear, and/or include sufficient level of detail in an overall delivery/action plan which may impact on achievement of the required outcomes and its overall success.
PRR037	Building Control	A greener and safer place	Paul Brookes	Medium	9	↓	Failure to meet statutory duties may result in legal action, regulatory intervention, or complaints to the Ombudsman, exposing the authority to reputational and operational risks.
PRR003	Business Continuity	All Themes	Keith Nicholson	Medium	9	↔	Ineffective business continuity response(s) may lead to prolonged disruption to core services, impacting residents, damaging the Council's reputation, and hindering its statutory emergency response obligations under the Civil Contingencies Act.

Principal Risk Register Heat Map – March 2026



Risk Score	Risk Level	Treatment Action Priority
26 to 30	Extreme Risk	Extremely Critical - Urgent action required
16 to 25	Very High Risk	Critical - Immediate action required
10 to 15	High Risk	Concerned - Action required (first priority)
5 to 9	Medium Risk	Cautious - Action required (second priority)
1 to 4	Low Risk	Comfortable - monitor and review

Impact Scoring Criteria

Score	Level	Financial	Operations	People	Reputation	Legal and regulatory	Major Projects	Equivalent Internal Audit Priorities
5	Catastrophic	Financial loss (>£20 million*)	Permanent cessation of core activities	Multiple fatalities	Future viability of the organisation threatened	External control of the Council assumed	Repeated failure of high-profile projects. All discretionary funding withdrawn	Critical Priority (Emerging Findings Note)
4	Severe	Financial loss (>£1 million*)	Extended disruption of core activities in excess of normal recovery timescales, with adverse impact on the wider community	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.	Critical impact on the reputation or brand of the organisation. Intense political and media scrutiny i.e. national front-page headlines, TV	Possible criminal, or high-profile civil action against the Council, Members or officers. Statutory intervention triggered with impact across the whole Council. Critical breach in laws and regulations that could result in severe fines or consequences	Politically unacceptable increase on project budget/cost for high-profile project. Elected Members are required to intervene	
3	Major	Major financial loss. Service budgets exceeded (£200k to £1 million*)	Disruption to core activities. Some services compromised. Management Team action required to overcome medium-term difficulties	Serious injuries or stressful experience (for staff member or service user) requiring medical attention/ many workdays lost. Major impact on morale/performance	Major impact on the reputation or brand of the organisation. Unfavourable media coverage. Noticeable impact on public opinion	Major breach in laws and regulations resulting in major fines and consequences. Scrutiny required by external agencies	Key targets missed. Major increase on project budget/ cost. Major reduction to project scope or quality	High Priority recommendations (Limited to No Assurance)
2	Moderate	Moderate financial loss. Handled within the team (£50k to £200k*)	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	Injuries (to staff member or service user) or stress levels requiring some medical treatment, potentially some workdays lost. Some impact on morale/performance	Moderate impact on the reputation or brand of the organisation. Limited unfavourable media coverage	Moderate breach in laws and regulations resulting in fines and consequences. Scrutiny required by internal committees or internal audit to prevent escalation	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	Medium Priority recommendations (Moderate to Limited Assurance)
1	Minor	Minor financial loss (< £50k*)	Minor errors in systems/operations or processes requiring Service Manager or Team Leader action. Little or no impact on service users	Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale	Minor impact on the reputation of the organisation	Minor breach in laws and regulations with limited consequences	Minor delay without impact on overall schedule. Minimal effect on project budget/cost or quality	Low Priority recommendations (Substantial to Moderate Assurance)



Chelmsford City Council Audit and Risk Committee

18 March 2026

Accounting Policies for the 2025/26 Statement of Accounts

Report by:

Financial Services Manager (Section 151 officer)

Officer Contact:

Zuzana Clarke, Principal accountant, Email: zuzana.clarke@chelmsford.gov.uk, Tel: (01245) 606324

Purpose

This report requires Members to consider the accounting policies which will be used in the preparation of the 2025/26 accounts.

Recommendations

1. That the Audit & Risk Committee considers and approves the accounting policies to be used in the preparation of the accounts and delegates to Financial Services Manger authority to make amendments.
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1. Introduction

- 1.1. The Council's accounting policies represent specific principles that are applied in the production of the annual Statement of Accounts. We are required to disclose these policies in the notes to the accounts. The policies are required by regulation to be aligned to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.
- 1.2. It is considered best practice that Members consider the accounting policies prior to a meeting at which the Statement of accounts will be approved.

2. Updates to Accounting Policies

2.1. The accounting policies were reviewed to comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code) and are set out in **Appendix A**.

2.2. There is one key change to the accounting policies:

Valuations of Council's property and land values

2.3. The 2025/26 Code introduced changes to property, plant and equipment allowing for less frequent five-yearly valuations and the use of indexation in intervening years. Where an appropriate index is not available, a desk-top valuation will be required in year three.

2.4. These changes will be reflected in the Council's accounts. The Council had already moved towards the use of indexation in 2024/25 for some assets, and this will now be further extended to all assets where the Code permits. The investment properties will continue to be valued annually, as we are required to do so by the accounting standards.

2.5. We will still revalue any assets where there is a known material impairment to the asset, or the economic/market conditions change sufficiently to suggest that the value has significantly altered.

2.6. The reduction in the number of valuations should reduce workloads for both the Council's finance team and external auditor. The change in national regulations was made as part of the approach to clearing the national audit backlog.

Other changes to the accounting policies

- 2.7. The officers have reviewed the existing policies and made small alterations where necessary to make them clearer to the reader of the accounts.

List of appendices:

Appendix A – The Council’s accounting policies

Background papers:

Nil

Corporate Implications

Legal/Constitutional:

The report needs to be presented to comply with the Accounts and Audit Regulations 2015, as amended.

Financial:

Determines how the Council records transactions in statement of accounts.

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:

None directly relevant.

APPENDIX A

Accounting policies used in the preparation of the accounts

1 Accounting policies

The Statement of accounts is a summary of our transactions for the financial year 2025/26 and our position at the year-end, 31 March 2026. The content, layout, and general rules we have used to prepare this Statement of accounts are set out in the Accounts and Audit (England) Regulations 2015, as amended. These regulations are embodied in the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 a statement of recommended practice ('the Code'), supported by International Financial Reporting Standards.

We use the following accounting policies in preparing the accounts. In order to streamline the accounts and make them simpler and clearer for the reader, we will only include in the published statement of accounts policies that relate to material items in the accounts.

Cash and cash equivalents

Cash is represented by cash in hand and balances with banks where we can access the money within a day. Cash equivalents are investments that when made, last no longer than 100 days and where the amount we will receive is not subject to any material change in value.

Changes to accounting policies and estimates

We only change accounting policies when the accounting standards require us to do so, or when we think a change in policy will improve the presentation of the accounts and the way we manage our finances. When we do change a policy and this results in a material change, we restate the amounts we presented in previous years so that all of the amounts in these accounts can be compared. If we have made a material error in an amount we estimated in previous years, we will correct this by restating the previous year's amount.

Charges to revenue for assets

We charge service revenue accounts, central support services and trading undertakings for all the fixed assets (non-current assets) they use to provide their services. There are depreciation charges that cover the estimated loss in value over time of physical assets with lives in excess of one year, that each service has used which are spread on a straight-line basis over the asset's life. Intangible assets are amortised over their lives on a straight-line basis.

Contingent assets

A contingent asset arises where an event gives rise to a possible asset that will only be confirmed by a possible future event outside our control.

Contingent assets are not recorded in the Balance sheet but are instead recognised in a note to the accounts.

Contingent liabilities

A contingent liability arises where an event gives rise to a possible obligation that will only be confirmed by a possible future event outside our control. A contingent liability can also arise where we would need to raise a provision but we cannot determine the amount of that provision. Contingent liabilities are not recorded in the Balance sheet but are instead recognised in a note to the accounts.

Council Tax and Non-domestic Rates

The Collection Fund is a statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates (NDR).

We recognise in our Comprehensive Income and Expenditure Statement our share of the NDR and Council Tax transaction on accrual basis, with the timing difference being adjusted through Council Tax and NDR adjustment account, reported on in the Movement in Reserves Statement.

Employee benefits

Our employees have the right to join the Local Government Pension Scheme. The scheme provides defined benefits to its members (retirement lump sums and pensions) when they retire. Charges and balances included in the Comprehensive income and expenditure statement and the Balance sheet are based on actuarial assessments of the current costs of the pension scheme. For a full explanation of the rules, see the Pensions note in the notes to the main financial statements. However, statutory rules stop us charging these amounts to council tax. Instead, we have to charge the actual amounts we pay to the pension fund, which is a different figure to the actuarial valuations.

Where we decide to terminate an officer's employment before their normal retirement age, or where the officer decides to accept voluntary redundancy, they may be entitled to a termination benefit. We charge these to the Comprehensive income and expenditure statement in the year that we become committed to the termination.

Exceptional item

Where an exceptional item is material, we will show it separately in the Comprehensive income and expenditure statement. If it is not material, we will

show it in a note to the accounts.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation always assumes any asset is in its most profitable use. The Council measures some of its non-financial assets such as investment properties, surplus assets, and some of its financial instruments such as pooled funds at fair value. The Council's assets and liabilities for its employee pension scheme are also measured at fair value.

Financial instruments

Financial Liabilities

Financial liabilities are recognised on the Balance sheet when the Council becomes party to the contractual provision of a financial instrument and are initially measured at fair value and are carried at their amortised costs. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

All our borrowing is shown on the balance sheet, including any interest owed by the Council. Interest payable for the accounting period is charged to the Comprehensive income and expenditure statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measure at

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

Examples of these are main classes are shown below

- Deposits with banks, building societies, the Government or other UK local authorities. These assets generate payments solely of principal and interest. We must show their value on the balance sheet, including interest yet to be paid to the Council. Any interest received or due at the balance sheet date is shown in the comprehensive income and expenditure statement. These types of investment are measured at amortised cost in accordance with IFRS9.
- We also invest some money in Pooled Investment Funds. Payments from these funds are not solely principal and interest as they are equity instruments with the Council earning dividends and redeeming shares at the prevailing market rate. The Council accounts for these as Fair Value

- through Profit and Loss (FVPL) in accordance with IFRS9.
- The income from the “FVPL” investments is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable.
 - If the value of an FVPL asset changes from the price that it was originally invested at then the balance sheet shows the investment at its valuation at the balance sheet date. The difference between these values, being either an unrealised gain or loss is charged to revenue and reversed out to the Pooled Funds Adjustment Account before it has any impact on Council Tax. The cumulative gain or loss held in the Pooled Funds Adjustment Account is charged to Comprehensive Income and Expenditure Statement when the investment is sold.
 - On recognition the Council makes a provision (if material) for 12 month expected credit losses on all of its financial assets held at amortised cost, excluding investments in the UK Government and other local authorities. Should the risk of loss increase significantly for a specific asset or category of assets then the provision will be increased to represent lifetime credit losses. This provision is charged to the Comprehensive income and expenditure statement and reduces the carrying value of the financial assets on the balance sheet.

Going concern

The 'going concern' concept means that we prepare the financial statements on the assumption that our business is financially sound and not about to be liquidated.

The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

We have based the valuations and financial data on the assumption that the Council will remain in existence for an indefinite period.

An indefinite period means the foreseeable future or long enough for us to meet our objectives and to fulfil our commitments. It is important to note that the 'going concern' concept assumes that the business will remain in existence long enough for all its assets to be fully used.

The Council is part of Government led Local Government Reorganisation (LGR) process of restructuring council services. Under LGR, the Council will transition to a new unitary authority. The new unitary authority will continue to deliver all the Council's statutory functions and maintain sound and robust financial management arrangements, therefore meets the criteria for adoption of the going concern assumption.

Grants and other contributions

If we receive a grant or contribution that does not have any conditions, or we have met the conditions, we credit the amount to the Comprehensive income and expenditure statement on the relevant service line. If we have not met the conditions, we show the amount as a creditor on the Balance sheet until the conditions are met.

If the grant is a capital grant that does not affect the balance on the General fund, we reverse the grant out of the Comprehensive income and expenditure statement in the Movement of reserves statement to the Capital grants unapplied account.

Heritage assets

Heritage assets are items the Council owns that have historic importance. These may be on display in the Council's museums or in safe storage. The Council has, since 2011/12, been required to include valuations of its heritage assets in its accounts.

The Council records its heritage assets under the following headings:

1. Archaeology and Numismatics
2. Pottery, drinking glasses and pewter
3. Works of art
4. Natural History taxidermy, botanical and geological specimens
5. Social, agricultural and industrial history, including costume
6. Statues
7. Mayor's office

The Council will review its Heritage assets as follows:-

Statues will be based on historical cost allowing for indexation.

Other categories are based on the service held valuations. These valuations have been made using a range of methods; external valuers, previous in-house experts, indexation and average valuations for groups of items.

The Council can add to its collection. However, these are often not expensive or numerous purchases of heritage assets. We occasionally receive donated items, and these will be recorded at valuation on their acceptance by the Council if significant.

We revalue any heritage assets that suffer damage. We do not normally dispose of or sell heritage assets, that belong to the Council.

The collections of the Essex Regiment Museum are owned by separate Trustees, on loan to the Council and are in the process of being returned. Following the transfer, a selection of Chelmsford-related Essex Regiment artefacts will remain at the Museum of Chelmsford and be absorbed into the museum's existing collection.

Heritage Valuers

We have previously used the following external valuers to value our heritage assets.

- David S. Moulson, MBE, BSc (pewter valuations)
- Sotheby's the auction house, Seabys (international coin sellers) and J & S Rogers (silversmiths)
- Robert Dalgety
- Sworders

Investment properties

Investment properties are those we use solely to earn rentals or hold in the expectation that they will increase in value. The property cannot be used to deliver Council services.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

We credit rental income from the properties to the Financing and investment income line in the accounts. We add any revaluation gains to the Financing and investment income and expenditure line in the Comprehensive income and expenditure statement but reverse them out before they affect council tax.

Joint projects

During 2025/26, we held money as the main authority for a joint project with several other local authorities to improve houses in Essex and Hertfordshire. If we spent our share of the money in the Chelmsford area, we show the amount spent in our Comprehensive income and expenditure statement. The amounts other authorities spent are not shown in our Comprehensive income and expenditure statement because it is not our money. During the 2025/26 financial year, all participating authorities agreed that future activity would no longer be delivered as a joint programme. Instead, each partnership authority will take responsibility for local projects. It was agreed for the remaining funds to be redistributed. Chelmsford will retain its share of funding to include in our balance sheet.

Where the Council acts as the lead authority for a partnership that operates as a separate entity and we hold funds on its behalf, any income and expenditure during the year will not be recognised in our accounts as it is not our money. The Council will only record a creditor on our balance sheet for the money held that is owed to the partnership.

Leases we get from other organisations

We have adopted IFRS16 (Leases) with effect from 1 April 2024. The adoption of the new standard brings on to the balance sheet the right-of-use assets and related lease liability in relation to former operating leases.

Contracts are reviewed to determine whether they give the right to control the use of an identified asset. The asset is controlled through rights to receive substantially all the economic benefits or service from that asset and to decide on its use during the contract period.

We recognise the right to use the property, plant or equipment as an asset in the balance sheet and a liability for the obligation to pay the lessor for the right. The lease liability is initially measured at the present value of the payments to be made after the start date. The cost of the right-of-use asset is considered to be the initial liability plus the costs of obtaining the lease and any payments made before the start date.

Payments are apportioned between:

- a charge for the acquisition of the right-of-use asset – applied to reduce the lease liability
- financing charges (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

We will not include low value assets (below £10,000 when new), and new leases with a duration of less than 12 months. The lease payments associated with these leases are treated as an expense on a straight-line basis over the lease term and are accounted for by charging payments to the relevant service line in our comprehensive income and expenditure statement.

New leases will be measured at the present value of the lease discounted by the implicit borrowing rate within the lease where available, otherwise PWLB rates will be used.

For peppercorn rent leases we include the depreciated fair value of the asset in the Balance sheet, which is matched by a liability of the amount we have to pay the lessor (legal owner).

Leases we give to other organisations

When we give a finance lease to an organisation or individual, we are handing over ownership of that asset, so we remove the asset's value from our Balance sheet. The value of the lease payments is then split using a calculation into interest paid to the Council and payment for the sale of the asset. A long-term debtor is created in our Balance sheet and when we receive a payment for the lease it reduces the value of the debtor and recognises a capital receipt. Interest income is then credited to the Comprehensive income and expenditure statement.

Where we grant an operational lease for land or equipment, we keep ownership of the asset. The income from the lease is credited to the Comprehensive income and expenditure statement.

Overheads

To present the information on the same basis as our management reporting we do not reallocate the cost of support services to other service lines of the

Comprehensive income and expenditure statement.

Property, plant and equipment

Physical assets are used in providing Council services. They must provide benefit for more than one financial year.

Spending on capital assets is recorded in our accounts when the work has been completed, or when the asset has been delivered to us, rather than when we actually pay for it.

Different types of assets are recorded as follows:

- Vehicles and equipment such as freighters, computers or lawnmowers are held at cost of buying them and are depreciated over their life on a straight-line basis.
- Community assets such as parks are held at historic cost, unless the external valuers identify a more appropriate value.
- Infrastructure such as bridges are held at depreciated historical cost.
- Other assets such as land and buildings are valued at a price that would be paid for the asset in its existing use (EUV). Where there is no market-based evidence because the asset is so specialised they are valued at depreciated replacement cost (DRC).
- Assets Held for Sale, when it becomes highly likely that an asset will be sold then the asset is revalued immediately before reclassification and then carried at the lower of this amount and its fair value less costs to sell. It should be newly classified as a current asset and no longer depreciated.
- Surplus assets are those not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets held for sale. The fair value of surplus assets is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All Investment assets will be re-valued annually.

Other Land and Building assets will be valued at least every 5 years. During the 5 year valuation cycle, where possible, assets will be indexed annually at the 31st March using an appropriate index supplied by in house or external valuers. Where no indexation is available a desktop valuation exercise will be undertaken in year 3. If there is a material impairment the asset will be valued in year.

Where required we will revalue reclassified assets in year.

The valuation date for 2025/26 is 31st March.

Increases in revaluations result in the property, plant and equipment values rising and a credit being made to the Revaluation reserve to recognise the unrealised gain. The unrealised gain means the asset is now worth more, but we have not sold it and realised that gain. Sometimes, if the asset had previously suffered a loss, the gain on revaluation will be credited to the Comprehensive income and expenditure statement, but the effect will be removed before it affects council tax.

We charge decreases in valuations as follows:

- If there is a balance on the Revaluation reserve from previous gains, we charge decreases against those gains.
- If there is no balance on the Revaluation reserve or if it is insufficient, we charge the shortfall to the Comprehensive income and expenditure statement. This is reversed out before it affects council tax.

Sometimes an asset falls in value because part of it has broken or worn out (impairment), for example if a roof starts to leak and needs to be replaced. The Council reviews its assets annually for these impairments. When an impairment occurs, we charge it as follows:

- When there is a balance in the Revaluation reserve, the impairment will be charged there.
- Where there is no balance on the Revaluation reserve, we make a charge to the service that uses the asset. This is reversed out before it affects council tax.

When we are deciding whether to reduce the value of our assets, we use the following rules:

We reduce the value of most of our assets steadily throughout their useful lives from the time they are ready for use (depreciation or amortisation). The exceptions to this are community assets, freehold investment properties and other assets held for sale (but only from the date we have decided to sell them). Land is not depreciated.

If the Council still owns equipment and intangible assets where they are fully depreciated, we take a decision to revalue them only if their value is over £10,000. Otherwise, the asset is written out of the Balance sheet on disposal.

The useful lives we have decided on for our assets are estimates and depend on the type of asset. We have set out below the shortest and longest time we expect each type of asset to be valuable:

- | | |
|--------------------------|------------|
| • Buildings | 5-50 years |
| • Vehicles and equipment | 1-25 years |

We decide each year whether the useful lives figures are still appropriate.

Any gain in the value of the asset recorded in the Revaluation reserve is reduced every year as the asset depreciates. This reflects the change in value as an asset wears out or becomes less useful. It is generally the cost to buy the asset minus any money we expect to gain from selling the asset, divided by the number of years the asset will be useful. We show the falling value of assets through a charge to the Capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Proceeds from the disposal of capital assets are categorised as capital receipts.

Minimum Revenue Provision (MRP)

Where the Council finances capital expenditure by borrowing, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). This charge ensures that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

MRP will be determined by charging the expenditure over the expected useful life of the relevant asset on an annuity basis up to a period of 50 years. For those short-term assets with a life of less than 10 years an average life year rate will be applied. When calculating the MRP charge, interest based on the PWLB annuity rate for a loan with a term equivalent to the life of the asset will be used. For assets acquired under leases, the principal repayment inherent in the lease will be used as the basis for MRP in respect of those assets. When this is not available PWLB rates will be used. This policy does not prevent the Council from making early or one-off repayments of debt from capital receipts or from revenue provisions.

For assets acquired by finance leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

MRP is charged in the year following the one in which the expenditure is incurred or the first year following the one in which the asset becomes operational.

Provisions

We put a certain amount of money aside to meet specific service payments we expect to make in the future, if we are not sure how much the payments will be or when we will have to pay them. The money in the provision is charged to the service when the provision is set up.

Impairment provisions for financial assets

Impairment provisions for trade receivables, lease receivables and contract assets follow the simplified method as set out in the CIPFA code, where lifetime expected credit losses are provided for. For trade receivables Council makes specific allowances for known assets facing increased credit risk and then makes

further provision for its receivables on a collective basis using historical patterns experienced by the authority.

The Council also makes impairment provisions against non-trade receivable financial assets in line with IFRS9 (if material). 12 month expected credit losses are applied to all assets held at amortised cost, with reviews made for lifetime losses where credit risk has increased significantly.

In line with CIPFA guidance, investments with the UK Government and UK Local Authorities are exempted from loss provisions.

Loss provisions are not required for assets held at Fair Value through Profit and Loss (FVPL) because current market prices as recorded in the accounts reflects market expectations of credit risk.

Reserves

We set aside specific amounts as reserves for future purposes, or to cover contingencies, or to deal with the local authority legal requirements for capital and pension accounting. Reserves are created by moving amounts from the General fund in the Movement in reserves statement. When we incur expenditure that is due to be financed from a reserve, we charge it to the appropriate service in the Comprehensive income and expenditure statement. We credit the statement with an equal amount transferred from the reserve so that there is no charge to council tax.

The following are the main reserves we include in the Balance sheet.

Capital adjustment account	Includes amounts we have set aside to pay for fixed assets. It also includes capital receipts we have set aside to repay loans and other capital financing transactions, and revaluation gains before 1 April 2007. This is an unusable reserve.
Capital receipts reserve	Represents the money we have received, but not yet spent, from selling assets. This is a usable reserve.
Earmarked reserves	These are usable reserves set aside for a specific purpose.
Pension reserve	Represents the shortfall or surplus on assets needed to cover our future pension costs. This is an unusable reserve.

Revaluation reserve

Shows changes in the value of our fixed assets caused by revaluing them. It only has revaluation gains recognised after 1 April 2007. Any gains before that date are shown in the Capital adjustment account. This is an unusable reserve.

Restatements and prior-period adjustments

Where our accounting policies change, or the rules we use to prepare these accounts change, or we have made a material error in a previous year's set of accounts, we either show any changes to last year's figures in the Restatements section or clearly explain any changes to the prior year's figures in the appropriate notes.

Revenue and capital transactions

Revenue and capital transactions are recorded on an income and expenditure (accruals) basis. This means we record income and grants, including government grants, in our accounts when we are owed it, rather than when we receive it. Likewise, we record spending in our accounts when we owe it, rather than when we actually make a payment. We do not accrue amounts under £1,000 where they would have no material impact.

Income from contracts with service recipients for goods and services is recorded in our income and expenditure statement when the goods or services are delivered to the service recipient, in accordance with the terms of the contract, rather than when we receive the payment.

We record revenue grants in the service they relate to. If a revenue grant does not relate to a specific service, we have shown it in the Comprehensive income and expenditure statement, below the total spending on services.

Where we are acting as an agent for another organisation (for example when collecting Council Tax and NDR) we only include income and expenditure and amounts owing that belong to us in the Comprehensive income and expenditure statement and Balance sheet. The Collection Fund includes all income and expenditure.

Where we have paid a full year's costs in the year, for example four quarterly electricity bills, we do not accrue amounts paid in advance or amounts owing at the year-end in the Balance sheet. The same applies for rents payable and rents received.

Revenue Expenditure Funded from Capital under Statute

Some items of expenditure can be funded by capital resources under Government

Statute even though they do not create an asset owned by the Council. These items of expenditure are charged to the relevant service in the Comprehensive Income and Expenditure Statement but funded by a transfer from the Capital Adjustment Account, so there is no impact on Council tax.

Value added tax

VAT is not shown as spending, unless we cannot claim it back.

2. Critical judgements in applying accounting policies

In applying its accounting policies, the Council is required to make certain judgements about complex transactions or those involving uncertainty about future events. Where such judgements are significant, they must be disclosed within the accounts.

Property and Investment Properties

Valuations

Valuations require significant judgements to be made. The Council employs relevant experts to identify the most appropriate valuation techniques. The valuations provided reflect the best information available at the time of the production of the accounts. Assets are valued at either Market Value, Existing use value or Depreciated Replacement Cost for specialised assets. Existing use asset valuations use inputs which can be corroborated as there is reliance on comparable market data. Significant judgement is required in the valuation of specialised assets due to the subjective nature of the valuation process. Valuations are based on the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. It uses factors such as area, location, age and the condition of the asset.

The impact of changes in valuation is reflected on the Council's Balance sheet and do not have a financial impact on service delivery.

All Investment assets will be re-valued annually. Other Land and Building assets will be valued at least every 5 years unless there is a material change identified in the asset or market that would materially impair the value of the asset. In this circumstance the impaired asset will be valued from the date of impairment.

Indexations

Indexation is an approximation of market changes – it is not a valuation of a specific asset.

In addition to the 5 year valuations, wherever possible all other assets will be indexed annually using an indexation provided by internal or external valuers. Where there is no appropriate index available a desktop valuation will be undertaken in year 3.

The carrying value of these assets as at 31/03/2025 is as follows: -
Other Land and Buildings £85m

Other Land and Buildings DRC £91m
Surplus £11m
Investment £50m.

A 1% change in the valuation of these categories would be £2.4m

Fair Value Measurements

The Code requires many of the Council's assets to be held on the Balance sheet at fair value, which is the price that an independent market participant would pay for the asset as at the balance sheet date.

Where possible, fair value is measured based upon quoted prices for identical assets in an active market (known as level 1 inputs).

However, where such prices are not available, other valuation techniques must be used. These can be based upon observable (level 2) or unobservable (level 3) inputs.

Wherever level 1 inputs are not available for material assets or liabilities, we employ relevant experts to identify the most appropriate valuation techniques and to undertake valuations as required. The most significant assets held by the Council and valued using level 2 or level 3 inputs are its investment properties. These judgements typically include considerations such as uncertainty and risk. Changes in the assumptions made could affect the value of the Council's assets and liabilities. Significant changes in any of the inputs could result in significantly lower or higher fair values. The value of investment properties measured at Fair Value as at 31/3/2025 was £50m. The value of surplus properties was £11m.

IFRS 16 Private Sector Landlord (PSL) Lease Term

The code requires a lease term to be established based on the period of the lease that is non-cancellable plus any periods covered by an option to extend or cancel where reasonably certain to exercise. The Council has some leases that require the lease term to be assessed as they tend to go beyond the lease term. The Council has 80 Private Sector Landlord (PSL) leases at 31 March 2025 where the properties are likely to be leased for longer than the agreed contract term and the likely extension to the term is included in the liability. In assessing this the Council has assumed a lease term of 6 years on transition to the accounting standard as at 01/04/2024, with a lease liability of £4.95m. If the assumed lease term was 7 years, the liability would have been higher by £0.7m and similar, had the lease term been assumed to be 5 years, this would have removed £0.7m from the liability.



Chelmsford City Council Audit and Risk Committee

18th March 2026

Audit and Risk Committee Work Programme

Report by:

Audit Services Manager

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. The Audit & Risk Committee 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.

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.

10th June 2026

(Joint meeting with Governance Committee)

Agenda Item	Report Owner
Review of the Local Code of Corporate Governance	Legal and Democratic Services Manager
Annual Governance Statement	Legal and Democratic Services Manager

(Audit & Risk Committee)

Agenda Item	Report Owner
External Audit TBC	Accountancy Services Manager (S151)
Revenue (Outturn)	Accountancy Services Manager (S151)
Capital Monitoring (Outturn)	
Internal Audit Annual Report	Audit Services Manager
Counter Fraud Annual Report	
Audit & Risk Committee Annual Report & Review of TOR	
Audit & Risk Committee Work Programme	Audit Services Manager

16th September 2026

Agenda Item	Report Owner
External Audit - TBC	Accountancy Services Manager (S151)
Health and Safety Annual Report	Public Health and Protection Services Manager
Internal Audit Plan to March 2027	Audit Services Manager
Risk Management Report	Audit Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

2nd December 2026

Agenda Item	Report Owner
External Audit - TBC	Accountancy Services Manager (S151)
Internal Audit Interim Report	Audit Services Manager
Procurement Update	Procurement Manager

Audit & Risk Committee Work Programme	Audit Services Manager
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17th March 2027

Agenda Item	Report Owner
External Audit TBC	Accountancy Services Manager (S151)
Internal Audit Plan 2027 + Internal Audit Charter	Audit Services Manager
Risk Management Report	Audit Services Manager
Accounting Policies	Accountancy Services Manager (S151)
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). Numerous frameworks also emphasise the importance of the audit committee, including:

- Delivering Good Governance in Local Government
- Global Internal Audit Standards
- the Code of Practice on Managing the Risk of Fraud and Corruption

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
