

Audit and Risk Committee Agenda

17 March 2021 at 7pm

Remote Meeting

Membership

Councillor N.M. Walsh (Chair)

and Councillors

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

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

Audit and Risk Committee

17 March 2021

AGENDA

1. Apologies for Absence and Substitutions

2. Minutes

To consider the minutes of the meeting held on 16 December 2020

3. Declaration of Interests

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

4. Public Question Time

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

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

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

5. Announcements
6. External Audit Update (Verbal)
7. Internal Audit Plan and Charter 2021/22
8. Approval of Accounting Policies
9. Audit and Risk Committee 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 16 December 2020 at 7pm

Present:

Councillor N.M. Walsh (Chair)

Councillors D.J.R. Clark, , N.A. Dudley, J. Galley, J.S. Lardge E.J. Sampson, and M. Sismey

1. Attendance and Apologies for Absence

Apologies for absence had been received from Cllrs P Clark and J Raven. No substitutions were made.

2. Minutes

The minutes of the meeting on 25 November 2020 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.

4. Public Questions

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

5. Announcements

No announcements were made.

6. Election of Vice Chair

The Chair thanked Cllr Malcolm Watson for his contribution to the Committee as the Vice Chair and previously as the Chair.

Cllr Clark proposed that Cllr Sismey be elected as the new Vice Chair of the Committee. This was seconded by Cllr Lardge and agreed by the Committee.

RESOLVED that Councillor Malcolm Sismey be elected as the Vice Chair.

(7.04pm to 7.05pm)

7. Verbal Update on Statement of Accounts

The Committee received a verbal update from the Council's External Auditors, BDO on progress with finalising the Statement of Accounts for 2019/20. The Committee was reminded that they last received an update on 25th November along with the draft report. It was noted that both BDO and officers had been working hard to meet the 30th November deadline, but unfortunately this had not been met. The Committee heard that multiple areas were still being looked at, including the valuation of land, buildings and investment properties, along with areas that are always focused on at the end of the audit. The external auditors informed the Committee that due to the upcoming festive season, staff would be on leave and therefore the work would be undertaken in the new year.

In response to a question from a member of the Committee, the external auditors stated that their target for completing the audit would now be by the end of January 2021.

RESOLVED that the report be noted.

(7.06pm to 7.10pm)

8. Internal Audit Interim Report 2020/21

The Committee received a report which summarised the work that Internal Audit had undertaken from April to November 2020. Members were informed that Internal Audit were on track to complete the audit plan as agreed by the end of March 2021. The Committee was informed that the report detailed a bi-annual summary and highlighted progress against the audit plan so far. The Committee heard that the Audit Services Manager had also been providing services via a secondment to Uttlesford District Council. It was noted that this had not had a detrimental impact on the delivery of Chelmsford's audit plan but would be reviewed in March 2021. The Committee heard that there had been a good rate of implementation so far on follow up audits and showed strong engagement between individual services and the audit team. It was also noted that the control environment

regarding Equality Impact Assessments had improved following its audit. The Committee heard that section two of the report detailed individual service summaries. It was also noted that advice had continued to be provided regarding the new financial system and that a post implementation review would take place in the new year.

The Committee thanked officers for the work that had taken place and was highlighted in the report.

RESOLVED that the report be noted.

(7.11pm to 7.18pm)

9. Risk Management Report

The Committee received a report updating them on Risk Management, which outlined progress toward the immediate priorities for 2020-21 identified in the May 2020 report. The report also provided a summary of the Council's Principal Risks taking into account the Covid-19 pandemic. The implementation of the new financial system was highlighted to the Committee which had recently gone live and which would continue to be rolled out to lead officers in January 2021. It was noted that due to the pandemic, the 'catastrophic' risk category had now been used and the principal risk register detailed the current position against a variety of risks including, Brexit, Chelmer Waterside and Emergency Planning. The Committee heard that the risk level had been raised for emergency planning, due to their significantly increased workload from the pandemic. It was noted that an incident such as severe flooding through the winter would lead to significant pressures for the team.

The Committee thanked officers for providing a comprehensive report and oversight of how risks have changed due to the pandemic.

RESOLVED that the report be noted.

(7.19pm to 7.25pm)

10. Counter Fraud and Investigations Annual Report 2020

The Committee received a report detailing the key principles for combatting fraud and longer-term strategic aims. The report also detailed the key work undertaken by the team in 2020, planned work for 2021 and highlighted some current and emerging areas related to the pandemic. The Committee heard that there had been a focus on ensuring payments related to the pandemic, were not being claimed fraudulently and some cases had already been prevented by the team.

RESOLVED that the report be noted.

(7.26pm to 7.32pm)

11. Annual Report of Procurement and Sourcing Activities

The Committee received a report summarising the work undertaken by the Procurement team. The Committee was informed that this was a new report that would be provided annually, to help provide greater transparency to the Committee. The report detailed all formal procurement and sourcing activities alongside any cross functional working that had taken place. The report also informed members of new process, policies and practices introduced in the last 12 months and the planned activities for the next 12 months. The Committee heard that the introduction of 150 new procurement cards had been one of the important areas of work and this had helped to remove unnecessary reporting into the financial system of invoices and allowed for a streamlined and more efficient process. It was noted that these allowed online purchasing to be easier and more effective and also contributed to a smaller carbon impact due to less printed invoices. The Committee also heard that the procurement cards had been utilised by the Community hub at the start of the pandemic, to buy food and other essentials for residents.

The Committee was also informed of the social value policy which had been agreed by the Cabinet in November. It was noted that this had been trialled successfully in three recent tenders and would continue to be used in the future. The Committee was also informed that the new financial system allowed a comprehensive record of supply contracts to be held, which would enable greater monitoring. The Committee also heard that in line with the recent modern-day slavery commitment made by the Council, work had been undertaken to look at potential areas of risks within the Council's supply chain and further investigations would continue.

RESOLVED that the report be noted.

(7.33pm to 7.45pm)

12. Terms of Reference of the Treasury Management and Investment Sub-Committee

The Committee received a report asking them to review the terms of reference of the Treasury Management and Investment Sub Committee. The Committee were informed that their views were being sought ahead of the document being referred to the Constitution Working Group for subsequent consideration by the Governance Committee and Full Council. The Committee was reminded that revised terms of reference for the Sub-Committee had been agreed in May 2020, but a matter concerning the limit on the number of the members who could be drawn from the Audit and Risk Committee had not been resolved.

The report provided recommendations that, a minimum of two members from the Audit and Risk Committee would sit on the Sub-Committee, along with the Cabinet Member for Fairer Chelmsford continuing to chair the meeting and that any member could act as a substitute on the Sub-Committee.

The Committee confirmed they were happy with the recommendations put forward and supported them being subsequently considered by the Constitution Working Group.

RESOLVED that the recommendations detailed in the report be recommended to the Constitution Working Group.

(7.46pm to 7.49pm)

13. Audit and Risk Committee Work Programme

The Committee received a report updating them on the rolling programme of work. It was noted that no changes had been made since this had last been considered. It was proposed by officers that a questionnaire could be sent to the Committee in the new year to assist with the development of a training needs analysis in 2021. It was noted that the survey would allow officers to focus on the areas where training was required. The Committee agreed that this would be useful and were happy with the proposed approach

RESOLVED that the report be noted.

(7.50pm to 7.52pm)

14. Urgent Business

There was no urgent business for the meeting

The meeting closed at 7.52pm

Chair



Chelmsford City Council Audit and Risk Committee

17th March 2021

Internal Audit Annual Plan 2021/22

Report by:

Director of Financial Services

Officer Contact:

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

Purpose

This report seeks approval from the Audit & Risk Committee for the Internal Audit Annual Plan for 2021/22.

Recommendations

Committee are requested to note the content of this report and approve the Annual Internal Audit Plan for 2021/22, taking account of the budget and resourcing required for delivery, as well as note and approve the 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 2021/22 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, as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks.
- 1.4. Discussions were held with senior managers during January/February 2021 and the plan was approved by Management Team on 24th February 2021.

2. Internal Audit Budget and Resources

- 2.1. The annual 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 (1.5 FTE Senior Auditor).
- 2.3. Changes to the annual 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 annual 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 annual plan.

6. Liaison with Risk Management and Investigations

- 6.1. In accordance with the annual 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. These will be reported immediately to the Investigations team and Procurement and Risk Services Manager and handled accordingly.
- 6.2. Internal Audit will continue to work closely with the Risk Manager, in line with our defined protocol to discuss and exchange risk information, including progress updates on development of the risk framework and any emerging issues.

7. Internal Audit Charter

- 7.1. The purpose, authority, and responsibility of the Internal Audit activity must be formally defined in an Internal Audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards.
- 7.2. The Internal Audit Charter establishes Internal Audit's position within Chelmsford City Council, including the Audit Services Manager's reporting lines, authorisation to access to records, staff and physical properties relevant to the performance of engagements, and also defines the scope of Internal Audit activities. It is also a reference point for measuring the effectiveness of Internal Audit.
- 7.3. Alongside other statutory requirements set out in the Charter, Internal Audit is required to meet the mandatory requirements of the International Professional Practices Framework (IPPF) i.e.:
 - The Mission of Internal Audit
 - The Definition of Internal Audit
 - The Core Principles
 - The Code of Ethics
 - The Standards – which provide a framework for performing and promoting a broad range of value-added internal auditing services, establish the basis for the evaluation of internal audit performance and foster improved organisational processes and operations.

8. Conclusion

- 8.1. The Internal Audit Annual Plan 2021/22 and Internal Audit Charter 2021 is attached for Audit & Risk Committee to approve.

List of appendices: Internal Audit Annual Plan 2021/22 and Internal Audit Charter 2021

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: Noted by Service Managers during Jan/Feb 2021 and approved by Management Team 24th February 2021

Relevant Policies and Strategies: None

Internal Audit Draft Annual Plan 2021-22

Ref	Audit Title	Link to Corporate Plan	Link to Principal Risk	Indicative Scope	Planned Quarter
CROSS-CUTTING (to also consider any emerging Brexit and Covid-19 risks as necessary through 2021/22)					
XC21_1	Cyber Security – Remote Working		PRR 001 - Cyber Security	To review the Council's governance arrangements, policies and procedures relating to Remote Working. To consider any further emerging Cyber Security risks during 2021/22.	1
XC21_2	Community Funding Scheme	Connected Chelmsford		Review of the Council's Community Funding Scheme; to review governance arrangements and compliance.	1
XC21_3	Procurement & Contract Management		PRR 017 - Procurement Strategy	To review the Council's procurement and contract management procedures to ensure they are in line with Council policy and regulations.	2
XC21_4	Information Governance		PRR 016 - Information Governance	To review the Council's control environment in relation to information governance. To include review of risks relating third party data and Data Protection Impact Assessments.	2
XC21_5	Business Continuity and Emergency Planning		PRR 003 – Business Continuity/ PRR 004 - Emergency Planning Response	Review of the Council's Business Continuity and Emergency Planning arrangements, including IT arrangements.	2
XC21_6	Climate Change Action Plan	A Safer and Greener Place	PRR 021 - Climate & Ecological Emergency	Review of the Council's measures for responding to the Climate Change Emergency and its framework for reporting progress.	3
XC21_7	Volunteers	Connected Chelmsford		Review of cross-service compliance with the Council's Volunteering Policy; to consider safeguarding risks and health and safety implications	3

Ref	Audit Title	Link to Corporate Plan	Link to Principal Risk	Indicative Scope	Planned Quarter
XC21_8	Medium Term Financial Strategy		PRR 019 - Income & Financial Position	Ongoing review of Council progress against MTFs; review of reporting and monitoring actions.	3
XC21_9	Corporate Plan Performance Monitoring			Review of the Council's performance monitoring framework against the Corporate Plan; including reporting and monitoring actions	4
CONNECTED CHELMSFORD					
CON21_1	Payroll			Review of the administration of salaries, addition of staff to payroll, removal, and amendments, plus other payments to staff. To include maintenance of master establishment list. Consideration of administration of furlough scheme.	2
CON21_2	Electoral Registration	Connected Chelmsford		Review of the maintenance of the Electoral register including the annual canvass and voter engagement strategy (per the Chelmsford Policy Board Working Group)	3
CON21_3	Chelmsford City Culture	Healthy, active and enjoyable lives		Review of the Council's shared Cultural Vision, Strategy and Action Plan and its framework for reporting progress.	4
FINANCE & HOUSING					
FIN21_1	Key Financial Systems 2021/22		PRR 019 - Income & Financial Position	Scope TBC. To consider new Financial Management Code. <i>*Business Grants Post Payment Assurance support to be provided separately as requested/required</i>	3
PUBLIC PLACES					
PP20_1	Waste and Recycling	Safer and Greener Place	PRR 021 - Climate & Ecological Emergency	Review of the Council's waste (including residential and trade waste) and recycling strategy and arrangements. Scope to	2

Ref	Audit Title	Link to Corporate Plan	Link to Principal Risk	Indicative Scope	Planned Quarter
				include consideration of environmental factors, such as monitoring of waste reduction/increased recycling.	
PP20_2	Parks and Open Spaces – Income and Hire	Healthy, active and enjoyable lives		TBC following removal of C.19 restrictions. To review the arrangements for hiring, concessions, donations, sponsorship and events in Parks and Open Spaces.	TBC
PP20_3	Leisure Centres & Playschemes	Healthy, Active and Enjoyable Lives		TBC following removal of C.19 restrictions. To review income management including the 'Our Chelmsford' scheme across Leisure Services.	TBC
SUSTAINABLE COMMUNITIES					
SC20_1	CiL/S106 Contributions	Fairer and Inclusive	PRR 020/ PRR 012	Review of the Council's compliance with S106/CiL Planning obligations to ensure all funds are received and spent in line with policy and legal requirements.	1
SC20_2	Planning Applications and Planning Enforcements	Fairer and Inclusive		Review of the Council's administration and compliance with policies, procedures and regulations. To review arrangements for managing breaches of Planning Control/Permissions	1
SC20_3	On Street Parking and Enforcement			To review the arrangements for on street parking and enforcement practices	2

INTERNAL AUDIT CHARTER

Introduction

The purpose, authority, and responsibility of the Internal Audit activity must be formally defined in an Internal Audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

The Internal Audit Charter establishes Internal Audit's position within Chelmsford City Council, including the Audit Services Manager's reporting lines, authorisation to access to records, staff and physical properties relevant to the performance of engagements, and also defines the scope of Internal Audit activities. It is also a reference point for measuring the effectiveness of Internal Audit.

Definitions

For the purposes of this Charter, the following definitions apply:

The Board:	The governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At Chelmsford City Council this shall mean the Audit & Risk Committee.
Consulting Activities:	Internal Audit advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary.
Senior Management:	Those responsible for the leadership and direction of the Council. At Chelmsford City Council this shall mean the Chief Executive and the Management Team.
Standards:	Public Sector Internal Audit Standards (PSIAS), as well as mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing.

Purpose and Mission

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of Chelmsford City Council's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the Audit & Risk Committee, Chief Executive, Section 151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations.

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit helps Chelmsford City Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. The Council's response to Internal Audit activity should also lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

Standards and Statutory Requirements

The Council has a statutory duty to maintain an adequate and effective Internal Audit function in accordance with proper Internal Audit practices (Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015).

Section 151 of the Local Government Act 1972 also states that “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

The CIPFA Statement of the Role of Chief Financial Officer in Local Government also states that the Chief Financial Officer must:

- Ensure an effective Internal Audit function is resourced and maintained
- Ensure that the authority has put in place effective arrangements for Internal Audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.

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

The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable. In addition, Internal Audit will adhere to Chelmsford City Council's relevant policies and procedures as well as Internal Audit's own methodology/standard operating procedures manual.

The Audit Services Manager will report periodically to senior management and the Audit & Risk Committee regarding Internal Audit's conformance to the above.

Authority

While the Audit Services Manager reports functionally to the Audit & Risk Committee, they report organisationally to the Director of Finance, who has responsibility for maintaining an adequate and effective system of Internal Audit within Chelmsford City Council, as the authority's Chief Finance Officer (S151 Officer).

The Audit Services Manager also has direct access to the Chief Executive who carries the responsibility for the proper management of their Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

Where it is considered necessary to the proper discharge of Internal Audit function, the Audit Services Manager has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Audit & Risk Committee).

The Audit Services Manager will communicate and interact directly with the Audit & Risk Committee (and Governance Committee where applicable), including in executive sessions between Audit & Risk Committee meetings as appropriate.

To establish, maintain and assure that Chelmsford City Council's Internal Audit section has sufficient authority to fulfil its duties, the Audit & Risk Committee will:

- Approve Internal Audit's charter
- Approve the risk-based audit plan
- Approve Internal Audit's budget and resource plan
- Receive communications from the Audit Services Manager on Internal Audit's performance relative to its plan and other matters, such as significant findings and/or emerging risks.
- Approve decisions regarding the appointment and removal of the Audit Services Manager
- Make appropriate enquiries of management and the Audit Services Manager to determine whether there is inappropriate scope or resource limitations.

The Audit & Risk Committee authorises Internal Audit to:

- Have full, free and unrestricted access to all functions, records, property and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives and issue reports.
- Obtain assistance from the necessary personnel of Chelmsford City Council as well as other specialised services from within or outside of the Council in order to complete the engagement.

Independence and objectivity

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

Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year (with the exception of follow ups)
- Performing any operational duties for Chelmsford City Council or its affiliates.
- Initiating or approving transactions external to Internal Audit
- Directing the activities of any Chelmsford City Council employee not employed by Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist Internal Auditors.

Where the Audit Services Manager has, or is expected to have, roles and/or responsibilities that fall outside of Internal Audit, safeguards will be established to limit impairments to independence or objectivity.

Internal Auditors, including the Audit Services Manager, will:

- Disclose any impairment of independence or objectivity in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

The Audit Services Manager will confirm to the Audit & Risk Committee, at least annually, the organisational independence of Internal Audit.

The Audit Services Manager will disclose to the Audit & Risk Committee any interference and related implications in determining the scope of Internal Auditing, performing work and/or communicating results.

Scope of Internal Audit Activities

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. The Audit Services Manager is also responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on this overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, based upon:

- A summary of internal audit work carried out
- Follow up on the implementation of recommendations
- Any significant governance issues as reported within the Council's Annual Governance Statement
- The annual review of the effectiveness of Internal Audit (see QAIP)

A range of Internal Audit services are provided to form the annual opinion. The approach is determined by the Audit Services Manager and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended. Internal Audit assessments 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 employees, senior management and contractors are in compliance with the Council's policies, procedures and applicable laws, regulations and governance standards
- The results of operations or programme are consistent with established goals and objectives
- Operations or programmes are being carried out effectively and efficiently
- Established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact Chelmsford City Council
- Information and the means used to identify, measure, analyse, classify and report such information are reliable and have integrity
- Resources and assets are acquired economically, used efficiently and protected adequately.

In accordance with the annual 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. These will be reported immediately to the Investigations team and Procurement and Risk Services Manager.

Internal Audit may perform consulting activities (that is, provide independent advice and guidance to management on governance, risk management and control issues) as appropriate for the organisation. It may also evaluate specific operations at the request of the Audit & Risk Committee or management, as appropriate.

The Audit Services Manager will report periodically to senior management and the Audit & Risk Committee regarding:

- Internal Audit's purpose, authority and responsibility
- Internal Audit's plan and performance relative to its plan
- Internal Audit's conformance with the IIA's Code of Ethics and Standards and action plans to address any significant conformance issues
- Significant risk exposure and control issues including fraud risks, governance issues, and other matters requiring the attention of, or requested by the Audit & Risk Committee.
- Results of audit engagements or other activities
- Resource requirements
- Any response to risk by management that may be unacceptable to Chelmsford City Council.

The Audit Services Manager also co-ordinates activities where possible and considers relying upon the work of other internal and external assurance and consulting service providers as needed. Internal Audit may perform advisory and related client service activities, the nature and scope of

which will be agreed with the client, provided Internal Audit does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Audit Services Manager has the responsibility to:

- Submit at least annually, to senior management and Audit & Risk Committee a risk based Internal Audit plan for review and approval.
- Communicate to senior management and the Audit & Risk Committee the impact of resource limitations on the Internal Audit plan.
- Review and adjust the Internal Audit plan, as necessary, in response to changes to Chelmsford City Council's operations, risks, programmes, systems and controls.
- Communicate to Senior Management and the Audit & Risk Committee any significant interim changes to the Internal Audit plan
- Ensure each engagement of the Internal Audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programmes and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective action, and report periodically to senior management and the Audit & Risk Committee any corrective actions not effectively implemented.
- Deliver an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- Ensure the principle of integrity, objectivity, confidentiality and competency are applied and upheld.
- Ensure Internal Audit collectively possesses or obtain the knowledge, skills and other competencies needed to meet the requirements of the Internal Audit charter.
- Ensure trends and emerging issues that could impact Chelmsford City Council are considered and communicated to senior management and the Audit & Risk Committee as appropriate.
- Establish and ensure adherence to Chelmsford City Council's relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit & Risk Committee
- Ensure conformance of Internal Audit with the Standards.

Internal Audit Plan and Resources

Internal Audit services are provided by internal council employees and through a partnership arrangement with an external contractor where required, led by the Audit Services Manager.

The Director of Finance will provide the Audit Services Manager with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the Internal Audit opinion.

At least annually, the Audit Services Manager will submit to senior management and the Audit & Risk Committee an Internal Audit plan for review and approval, including risk assessment criteria. The Internal Audit plan will include timing as well as budget and resource requirements for the next financial year. The Audit Services Manager will communicate the impact of resource limitations and significant interim changes to senior management and the Audit & Risk Committee. Senior Management and the Audit & Risk Committee will be advised where, for whatever reason, Internal

Audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The Internal Audit plan will be developed based on a prioritisation of the potential audit activities across the Council using a risk-based methodology, including input of senior management and the Audit & Risk Committee. Prior to submission to the Audit & Risk Committee for approval, the plan will be discussed with appropriate senior management. Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to senior management and the Audit & Risk Committee. The risk-based plan must take in to account the requirement to produce an annual Internal Audit opinion and the assurance framework.

The Audit Services Manager will be responsible for delivery of the plan and will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

If the Audit Services Manager, the Audit & Risk Committee or Senior Management considers that the scope or coverage of Internal Audit is limited in any way, or the ability of Internal Audit to deliver a service consistent with the Standards is prejudiced, they will advise the Director of Finance accordingly.

The Audit Services Manager must seek approval from the Audit & Risk Committee for any significant additional consulting activities not already included in the audit plan, prior to accepting the engagement.

Reporting and monitoring

For each audit assignment, terms of reference are developed and agreed with the client setting out the scope of the audit. At the completion of the audit, a written report is produced which provides an audit opinion/assurance statement on the control environment in place. The Internal Audit report will include management's response and corrective action to be taken regarding the specific findings and recommendations. Management's response will also include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

Internal Audit may also undertake work which does not contribute explicitly to the overall audit opinion. 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. 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.

Internal Audit will also be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain open until cleared.

A summary of Internal Audit findings, as well as follow ups will be communicated to senior management and the Audit & Risk Committee via interim and annual audit reports. Any significant emerging risks which arise in year will be reported as they occur.

Quality Assurance and Improvement Programme (QAIP)

The Chartered Institute of Internal Auditors (IIA) sets out mandatory Core Principles, which taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective and achieve its mission, all Principles must be present and operating effectively:

1. Demonstrates integrity
2. Demonstrates competence and due professional care
3. Is objective and free from undue influence
4. Aligns with the strategies, objectives and risks of the organisation

5. Is appropriately positioned and adequately resourced
6. Demonstrates quality and continuous improvement
7. Communicates effectively
8. Provides risk-based assurance
9. Is insightful, proactive and future-focused
10. Promotes organisational improvement

Internal Audit will maintain a QAIP that covers all aspects of the Internal Audit activity. The program will include an evaluation of Internal Audit's conformance with the above Principles, the Standards and an evaluation of whether Internal Auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

In addition, the Audit Services Manager will communicate to senior management and the Audit & Risk Committee on Internal Audit's (QAIP), including results of ongoing internal self-assessments and external assessments conducted at least every five years by a qualified, independent assessor from outside of Chelmsford City Council.

Any instances of non-conformance with the Standards will be included in the annual Internal Audit report. If there is significant non-conformance, this will be included in the Council's Annual Governance Statement.

Signatures:

Audit Services Manager: Elizabeth Brooks

Chief Executive:

Chair of Audit & Risk Committee:



Chelmsford City Council Audit and Risk Committee

17th March 2021

Accounting policies for the 2020/21 Statement of accounts

Report by:

Director of Financial services

Officer Contact:

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

Purpose

This report requires Members to confirm that they are satisfied with the accounting policies to be used in the preparation of the 2020/21 accounts.

Recommendations

1. That the Audit Committee approve the accounting policies to be used in the preparation of the accounts.
-

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.
- 1.2. It is considered best practice that Members consider the accounting policies upon which the accounts are prepared prior to the meeting at which the Statement of accounts will be approved.
- 1.3. Matters may arise as we prepare the accounts that require a further review of Accounting Policies and the Director of Finance will as part of the presentation of the accounts identify any changes that were necessary.

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 2020/21 (the Code) and are set out in **Appendix A**.
- 2.2. There have been no significant updates to the 2020/21 code as the planned implementation of the IFRS16 leases standard has been postponed to 2022/23.
- 2.3. The review only identified the need for minor clarification changes and updates to some of the Council's existing policies.

3. Impact of the Corona Virus outbreak

- 3.1. The Government is taking unprecedented measures to mitigate the impact of the Corona virus outbreak within the UK. Continuous compulsory temporary closures of businesses and lockdown on movement for the residents are greatly impacting financially on the city's businesses, its residents as well as the Council itself, as reported in the Council's February 2021/22 budget report.
- 3.2. Ministry of Housing, Communities and Local Government consulted with local authorities about a proposal to extend the legal deadline for the publication of the draft statement of accounts for 2020/21 and 2021/22 financial years by 2 months to 1st of August immediately following the end of the financial year the accounts relate to and proposed the deadline for the publication of the final audited statement of accounts to move to 30th September immediately following the end of the financial year the accounts relate to. We are awaiting Government's final confirmation of the publication deadlines following the conclusion of the consultation.

- 3.3. The current environment is changing daily and consequently there are uncertainties in estimating the full impact of the Government's measures on the wider economy, on Council's financial position, including the valuation of the Council's assets or the extent of the Council's provision for non-collection of outstanding debt.

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

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:

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 2020/21 and our position at the year-end, 31 March 2021. The content, layout and general rules we have used to prepare this Statement of accounts are stated in the Accounts and Audit (England) Regulations 2015. These regulations are embodied in the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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, 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 they use to provide their services. There are depreciation charges that cover the estimated loss in value over time of physical assets that each service has used which are spread on a straight-line basis over the asset's life.

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 items

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 assets 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. The Council's assets and liabilities for its employee pension scheme are also measured at fair value.

Financial instruments

We record our investments and borrowings in the following ways:

- Most of our investments are deposits with banks, building societies 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 an unrealised gain or loss is charged to revenue and reversed out to the Pooled Funds Adjustment Account before it has 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.
- 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.
- On recognition 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 business 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.

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 reviews its Heritage assets every year as part of its insurance valuation process. Details on the methods used are shown below.

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
8. Small-value items

Valuations have been made using a range of methods; external valuers, in house experts, indexation and average valuations for groups of items.

The Council adds to its collection regularly. However, these are not expensive or numerous purchases of heritage assets. We occasionally receive donated items, usually for Hylands House, and these will be recorded at valuation on their acceptance by the Council. Hylands House is not a heritage asset as it is used as a venue for weddings and corporate meetings, for which the Council charges fees.

We revalue any heritage assets that suffer damage. We do not normally dispose of or sell heritage assets.

The collections of the Essex Regiment Museum are owned by separate Trustees, under a 25-year management agreement with the Council signed in March 1999. It stipulates that the Council will insure the regimental collections in the same way as it insures its own Chelmsford Museum collections. However, we do not include regimental collections in our Balance sheet valuations.

Heritage Valuers

We have 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

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

We are holding money as the main authority for a joint project with several other local authorities to improve houses in Essex. Until the money is used, we show it as 'not spent' in our Balance sheet. As the money is spent this amount gets smaller. If we spend 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 spend are not shown in our Comprehensive income and expenditure statement because it is not our money.

Leases we get from other organisations

Leases are classified as finance leases where the risks and rewards attached to the asset are mostly transferred to us. All other leases are operational leases. Where a lease is for both land and buildings, we separate the two elements into different leases.

For finance 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). We are not allowed to charge the depreciation on the asset to council tax, so we reverse this out of the Comprehensive income and expenditure statement. The Comprehensive income and expenditure account is charged the cost of a finance lease as if it were a loan, that is the cost of interest and a minimum revenue provision (repayment of principal).

The rentals paid under operating leases are charged directly to the appropriate service line in the Comprehensive income and expenditure statement.

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 are 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 done, or when the asset has been delivered to us, rather than when we actually pay for it.

Different types of asset are valued as follows:

- Vehicles and equipment such as lorries, computers or lawnmowers are valued at cost of buying them.
- Community assets such as parks are valued at historic cost, unless the external valuers identify a more appropriate value.
- Infrastructure such as bridges are valued at depreciated historical cost
- Other assets such as land and buildings are valued at price that would be paid for the asset in its existing use. Where there is no market-based evidence because the asset is so specialist they are valued at depreciated replacement cost.
- 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.
- 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, Surplus and large assets with a value in excess of £2.5m are revalued every year. All other assets will be revalued at least once every three years. However, if there is evidence of a big change in an asset's value in any year, we will revalue that asset immediately.

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). 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).

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 | 7-40 years |
| • Vehicles and equipment | 3-25 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.

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 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 show any changes to last year's figures in the Restatements section.

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 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

We have made a number of judgements in preparing these accounts and have listed the more important ones below.

- The continued Covid 19 virus outbreak is likely to have significant financial implication on the Council and its finances.
- There is a lot of uncertainty about the future level of Government grant funding. Prior to the outbreak, the Government was in the process of reviewing the basis of how it allocates funding to Local authorities, with the intention to announce a new funding distribution based on a revised formula for 2021/22. This review was delayed and is now expected to be completed in time for 2022/23 financial year funding allocations. The New Homes Bonus grant scheme is also currently subject to a review. The Government provided various grants to support Local Authorities during the pandemic, it is however unclear at this point what, if any, long term financial support Councils will receive from the Government to help us cope with the ongoing financial impact of the outbreak.
- Following Britain's exit from the European Union, it is unclear how the new arrangements negotiated during the transitional period that ended 31 December 2020 will impact on the Council's or Local Government finances generally.

At this time, we don't believe that despite these uncertainties, our asset values will need to be impaired.



Chelmsford City Council Audit and Risk Committee

17th March 2021

Audit and Risk Committee Work Programme

Report by:

Director of Financial Services

Officer Contact:

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

Purpose

This report updates the rolling programme of work for this Committee.

Recommendations

That the rolling programme of work for the Committee is agreed.

1. Introduction

- 1.1. 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. Self-assessment and training

- 2.1. In line with CIPFA Guidance: Audit Committees 2018, a self-assessment by ARC Members is currently underway.
- 2.2. The survey is primarily based on the following nine good practice principles, where Audit Committees can add value and support improvement i.e.:

- Promoting the principles of good governance and their application to decision making.
- Contributing to the development of an effective control environment.
- Supporting the establishment of arrangements for the governance of risk.
- Advising on the adequacy of the assurance framework.
- Supporting the quality of the internal audit activity.
- Aiding the achievement of the Council's goals and objectives.
- Supporting the development of robust arrangements for ensuring value for money.
- Helping the Council implement effective arrangements for countering fraud.
- Promoting effective public reporting to the Council's stakeholders and local community.

2.3. The self-assessment was designed to provide a high-level overview of the effectiveness of the Committee, then explore in detail how the Committee meets each of the above principles. There was also a focus on CIPFA's recommended Knowledge and Skills framework and in these questions, Members were asked to consider their own individual skills, knowledge and experience that contribute to the overall effectiveness of the Committee.

2.4. The results will be analysed and consideration given to developing Member training and awareness where required.

3. Rolling Programme of Work

3.1. 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.

16th June 2021

(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/ Director of Financial Services

(Audit & Risk Committee)

Agenda Item	Report Owner
External Audit Update	BDO
Revenue (Outturn)	Accountancy Services Manager
Capital Monitoring (Outturn)	
Internal Audit Annual Report 2021/22	Audit Services Manager
Audit & Risk Committee Annual Report 2021/22	

Agenda Item 9

Review of the Audit & Risk Committee's Terms of Reference	
Risk Management Report	Procurement and Risk Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

22nd September 2021

Agenda Item	Report Owner
External Audit Update	BDO
Anti-Fraud & Corruption Report	Procurement and Risk Services Manager
Health and Safety Annual Report	Public Health and Protection Services Manager
Modern Slavery Report	Procurement and Risk Services Manager/ Public Health and Protection Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

15th December 2021

Agenda Item	Report Owner
External Audit Update	BDO
Internal Audit Interim Report 2021/22	Audit Services Manager
Risk Management Report	Procurement and Risk Services Manager
Procurement Update	Procurement and Risk Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

16th March 2022

Agenda Item	Report Owner
External Audit Update	BDO
Internal Audit Plan 2022/23 + Internal Audit Charter 2022	Audit Services Manager
Approval of Accounting Policies	Accountancy Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

List of appendices: None

Background papers: None

Corporate Implications

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

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

Financial: None

Potential impact on climate change and the environment: None

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

Personnel: None

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

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: None

Relevant Policies and Strategies: None
