

Audit and Risk Committee Agenda



21 March 2023 at 7pm

Marconi Room, Civic Centre, Chelmsford

Membership

Councillor N. Walsh (Chair)

and Councillors

N. Bugbee, D. Clark, N. Dudley, K. Franks, I. Grundy, J. Raven, A. Sosin, and R. Whitehead

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 jan.decena@chelmsford.gov.uk or telephone on Chelmsford (01245) 606260.

Audit and Risk Committee

21 March 2024

AGENDA

1. Apologies for Absence and Substitutions

2. Minutes

To consider the minutes of the meeting held on 13 December 2023.

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. External Audit of Accounts – Dealing with the Backlog

7. Risk Management Report

8. Internal Audit Plan 2024 & Internal Audit Charter 2024

9. Accounting Policies

10. Audit & Risk Work Programme

11. 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.

Part 2 (Exempt Items)

To consider whether to exclude the public from the meeting during the consideration of the following matters, which contain exempt information within the category of Part 1 of Schedule 12A to the Act indicated:

12. Update on Audit Investigation

Category: Paragraph 7 of part 1 of Schedule 12A to the Local Government Act 1972

(Information relating to any action taken or to be taken in connection with the prevention, investigation, or prosecution of crime.)

Public interest statement: It is not in the public interest to release details of this report at present, on the grounds that it relates to information and action taken or to be taken in connection with the prevention, investigation, or prosecution of crime.

**MINUTES OF THE
AUDIT AND RISK COMMITTEE**
held on 13 December 2023 at 7pm

Present:

Councillor N. Walsh (Chair)

Councillors, D. Clark, N. Dudley, K. Franks, J. Jeapes, J. Raven, A. Sosin, and A. Thorpe-Apps

Also in attendance –

Independent Persons –

Mr C Groves

Miss J Hoeckx

1. Attendance and Apologies for Absence

Apologies for absence were received from Councillors N. Bugbee, I. Grundy and R. Whitehead. The substitutes were Councillors J. Jeapes and A. Thorpe-Apps respectively.

2. Minutes

The minutes of the meeting on 27 September 2023 would need amending to include Cllr J. Raven in attendance. Subject to this amendment, the minutes 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

The Chair welcomed the new Audit & Risk Committee Independent Person, Miss Hoeckx.

6. External Audit Update (verbal update)

The Committee heard an update regarding the Council's external auditors. Members were advised of the continuing delays regarding external audits with only 1% of the audits for 2022/23 being completed nationally. It was reiterated that the reasons given by external auditors for not meeting the deadlines were audit-firms problems with resourcing and capacity. It was intended for BDO to join the meeting and provide an update, however the Council's BDO partner retired in Autumn which impeded them coming.

Members were also advised that the new external auditors for the next financial year would be EY who have worked with the Council before. It was advised that EY would be attending the March 2024 meeting.

It was also advised that there are ongoing discussions in Government to provide a complete reset of the whole system nationally. It was perceived that the accounts from the previous years could be disregarded, effectively enabling some years accounts never to be audited.

RESOLVED that the External Audit Update be noted.

(7.04pm to 7.15pm)

7. CIPFA Financial Management Code Assessment

The Committee received a report regarding an update of the CIPFA Financial Management Code (FM Code) and the Council's self-assessment since September 2022. It was found that the Council was compliant with the FM Code and that the improvement process would remain continuous. Members were also informed of the underlying principles of the code including accountability and transparency. They were also reminded of the areas covered by the standards. Members heard that there would always be room to improve financial management and there were three reassessment points to be considered which were the capital projects; counter-fraud work; and the capital revenue processes.

RESOLVED that the report on CIPFA Financial Management Code Assessment be considered.

(7.05pm to 7.09pm)

8. Internal Audit Interim Report 2023/24

The Committee received a report regarding internal audit activity from April to November 2023 which included details on the high risk and priority issues which could impact the effectiveness of the internal control environment, risk management, and governance arrangements across the Council. It was also reported that Internal Audit was on track to complete the audit plan by the end of March 2024. However, Members also heard that the team might need to accommodate higher priority work and, if so, the Committee would be updated accordingly.

In response to a query regarding work against the deadline, officers advised that several elements should be completed by the end of the year.

RESOLVED that the Internal Audit Interim Report be noted.

(7.09pm to 7.13pm)

9. Annual Procurement Report

The Committee received the annual procurement report summarising the procurement & sourcing activities as a scheduled report on the delivery of procurement services in line with the work programme. The report also provided an overview of the changes on the new Procurement Bill that would have on procurement activity. Members were asked to note the contents of the report.

The Committee heard that the Procurement Bill had received the Royal Assent on 26th October 2023, becoming the Procurement Act 2023, and was the biggest reform to the public procurement regime following UK's exit from the EU. The Act, which would come into effect in October 2024, introduced a new supplier selection regime, based on existing principles of non-discrimination, fair treatment, value for money, and transparency and integrity. It would also require the public sector buyers to take a broad view and take account of the national strategy priorities.

Members were informed of the key changes in the Act, and on the secondary legislation, which included having a single regime; an enhanced strategy regime which included publishing a pipeline of contracts in advance; opportunities to be advertised on Find a tender Service; publication of KPI's and supplier performance; requirement for notices to contract changes for contracts over £2 million; and, discretionary grounds for exclusion based on supplied poor performance. It was also advised that all procurement would be facilitated in the UK as there were no EU suppliers anymore for the Council.

Members were advised that it was expected that procurement activity would stay the same for the Council and the new regime should not have a fundamental impact. They were also advised of the Council's contract rules which outlined the limits of spends and delegations. It was advised that there were higher threshold limits and further controls on higher spends.

Members also heard that the staff vacancies had impacted delivery of objectives. The Procurement Team successfully recruited a CIPS Procurement Trainee in August. With regards to procurement activity by the team, members were advised that the team continued to provide procurement services to Uttlesford District Council which was working well. Member were also informed of the 39 requirements for formal procurement in which 7 were over the threshold value. Staff would also be fully trained on the new procurement regime and a contract management framework was also in the process of being designed and implemented.

In response to the questions and comments from members, it was advised that;

- It was advised that the biggest areas in increase of prices were generally building works however they would not hit the limit of £5 million.
- It was admitted that the delivery of procurement was delayed due to recruitment issues however it was advised that the team was agile, and all requirements were met. Members were advised that the new graduate would hopefully start by January 2024.
- It was advised that the case management system from the legal team was not linked with the contract management framework.
- It was also advised that there would be a website for all prior notice of future procurement where suppliers would have one place to look. Procurement would also be published on the Council website.

RESOLVED that the annual procurement report be noted.

(7.13pm to 7.36pm)

10. ARC Work Programme

The Committee were updated on the rolling work programme of future reports and work for the next series of meetings. The Committee was also updated regarding agreed actions from the June 2023 meeting. It was advised that the Committee was meeting the recommendations made by CIPFA in their Statement on Audit Committees.

Members heard that the Risk Management Report would be moved to the March 2024 meeting. They also heard of the successful interview and recruitment of the second Independent Person for Audit & Risk Committee. It was also advised that a training needs assessment had been circulated to Committee members to identify training requirements. Members were reminded that these would need to be completed by the end of the year. There would also be a wider self-assessment to be undertaken to evaluate the impact of the Committee and identify further areas of improvement. Findings would be reported at the annual report of the Committee in June 2024.

RESOLVED that the ARC Work Programme to be noted and agreed.

(7.36pm to 7.39pm)

Exclusion of the Public

Resolved that under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for Item 11 on the grounds that it involved the likely disclosure of exempt information falling within paragraph 7 of Part 1 of Schedule 12A to the Act.

11. Audit Investigation

The Committee received a detailed report regarding a confidential Audit Investigation. Members also heard the next steps to be taken.

RESOLVED that the report be noted.

(7.39pm to 8.03pm)

12. Urgent Business

There was no urgent business for the meeting.

The meeting closed at 8.03 pm.

Chair

Chelmsford City Council Audit and Risk Committee

21st March 2024

External Audit of Accounts – Dealing with the Backlog

Report by:

Accountancy Services Manager (Section 151 Officer)

Officer Contact:

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

Purpose

To inform Members of the Government's proposals to clear the nationwide backlog of external audits.

Recommendations

Contents of this report are noted.

1. Introduction

1.1. The Committee has received many reports on the delays in the City Council's external audits, caused by a nationwide failure of external auditors to meet their contractual obligations in delivering local government account audits.

1.2. As of December 2023, there were 771 overdue external audits, and with most local authorities having more than 2 years of accounts unaudited.

1.3. The position for Chelmsford is that the audits by BDO of 2021/22 and 2022/23 have not yet started. Both BDO and Council officers are clear this delay is not a reflection of the Council's financial management.

1.4. The Council will have a new auditor, EY, for 2023/24. Initial engagement by officers with EY has begun.

1.5. The Government and Parliament have been considering the national audit backlog and after a protracted period have now organised for key stakeholders to be consulted on actions deemed necessary to clear the backlog and stabilise the position.

2. The Consultations on Clearing the Backlog

2.1. To clear the backlog the Government has identified three key stakeholders.

- Financial reporting Council (FRC). They regulate external auditors. There is need for temporary and ongoing changes to that regulation, effectively an easing and changing of focus.
- Chartered Institute of Public Finance Accountants (CIPFA). They adapt on behalf of Government international accounting standards for use in local government and determine the format and content of statement of accounts. The intention is to simplify and reduce application of some of the standards which will reduce the amount of time spent on audits. Initially the proposals seek reduced accounting requirements for plant, property and equipment valuations and reduction in pensions disclosures requirements.
- Government via Department of Levelling Up, Housing and Communities (DLUHC) and National audit office. The regulation regarding the production and audit of accounts including deadlines, is made under a statutory instrument. This requires statutory amendment in the form of the introduction of mandatory back stop dates whereby audits are signed off even if not complete.

2.2. Due to the timing and technical content of the consultations, officers will respond and will not refer the consultations to committee.

3. Proposed changes needed to clear the audit backlog.

3.1. The proposals will not be finalised until the summer, given there is need for statutory changes. It is expected that all stakeholders will have to act upon the consultation as it currently stands and only adjust their approach should any changes become known.

3.2. The process to clear the backlog will have three phases:

- Phase 1. All outstanding audits and accounts for the years ending 2022/23 will be signed off by auditors, almost completely regardless of whether an audit is complete by 30th September 2024.
- Phase 2. All the accounts will be signed off by auditors as follows.
 - Year ended 31 March 2024: 31 May 2025*
 - Year ended 31 March 2025: 31 March 2026
 - Year ended 31 March 2026: 31 January 2027

- Year ended 31 March 2027: 30 November 2027
- Year ended 31 March 2028: 30 November 2028

*as part of the consultation it is expected the completion of the 2023/24 accounts audit will not end on the 31st May but is likely to be slightly later. This reflects recognition in the consultation of the heavy workloads in local authority finance teams in producing accounts at that point and the external auditors' commitments to NHS audits.

- Phase 3. This concerns increasing audit capacity and making changes to accounting standards to reduce the complexity of local government accounts. Though this process has now started, officers view this as longer-term action which they expect will be subject to future consultations, so this report does not cover phase 3 in any detail.

3.3. As auditors are effectively being asked to simply stop on a backstop date and produce a report on the accounts no matter the amount of progress on the audit, they will in many instances not be able to state the accounts represent a true and fair view. Instead, the audit opinion could reflect the following scenarios:

- i. Disclaimed due to the backstop; as none or no substantial audit work has taken place by the backstop date.
- ii. Partially Disclaimed due to the backstop; there are parts of the accounts where insufficient audit work has taken place to prove those figures. The auditor may provide assurance on specific parts of the accounts.
- iii. A complete audit which signs the audit off as complete and the accounts are materially correct, or:
- iv. Qualified. An audit has been undertaken and shown the accounts are materially incorrect.

3.4. It is the intention with the introduction of backstops dates is that in the first years, that many if not most audits will be disclaimed or partially disclaimed until the backlog is fully cleared and timely audits are taking place.

3.5. The s151 has spoken to BDO and understands they are highly unlikely to undertake any substantial audit work and will publish at the end of September 2024 a disclaimer of the accounts.

3.6. EY have not yet given their view of 2023/24 audit process, but Council officers will encourage a pragmatic approach. That is, they use a Partial disclaimer for 2023/24. This because EY will as a new auditor have more work to do in the first year of the audit which is made worse by the lack of audits by BDO.

3.7. It was intended to have external audit presence at the Committee meeting to explain from the auditor's perspective the approach to the audits. However, due to the timing of the meeting it is now not possible. So, a meeting between EY, the Chair and the s151 officer is being arranged.

3.8. BDO did offer to send a representative to the committee, however, after consultation by s151 officer with the Chair, it was felt there is little value in BDO attendance. This was in the light of BDO stating that they would be undertaking no substantive audit work before the end of their contract. There will be opportunity later in the year to bring BDO to the committee on production of the audit disclaimer.

3.9. The s151 welcomes the proposals as they demonstrate realism over the time it will take to normalise the audit process. However, there are number of concerns members should note:

- The timing of the consultation makes it unclear how some accounting issues should be dealt with in the 2023/24 accounts, especially valuation of operational property, plant and equipment assets. Even though the accounts need to be practically completed by early May for publication at the end of May, the consultation from CIPFA does not close until the 28th March.
- The changes still rely on auditors, CIPFA and FRC to prioritise timeliness over perceived accuracy. Previous experience of officers has been that external stakeholders suggest using estimation of some figures to ensure speedy closure but when it came to the audit, there is lack of acceptance of the estimation and demand to use the latest information which was unavailable at the time of publication.
- The lateness of audits has in past also enabled the auditor to have a current view of matters such as pension funds which is vastly different to prevailing circumstances of when the accounts were closed. This has led to time consuming discussion and restatements of accounts. The long backstop dates may continue this problem.
- When audits are not finished on time the wording of the external auditor disclaimer, could be problematic for an authorities including the City Council. The disclaimer needs to make clear Chelmsford accounts or financial management are not being demeaned by the use of disclaimer by the auditor. The consultation does express that auditor should not be assigning or implying blame to authority when the audit has not finished because of the backstop.

4. Value For Money (VFM) Assessments

4.1. The consultation does propose changes to the annual VFM assessments, these are improvements as:

- VFM will now be expected to be published every November, instead of the current 3 months after completion of an audit. They will be separate process to the statement of account audits.
- VFM assessments for the unaudited years are expected to be published in one document. This will cover only the issues relevant to those years.

- VFM work will take a higher priority. This is because the VFM assessment will be more focused on the health of the Council's finances. Given the much-reported difficulties most authorities are in it should provide greater clarity on the causes of those difficulties.

5. Fees for Audit Work

5.1. The consultation does provide comfort that audit fees will be determined by the amount of work done by the auditor. Fees will be scrutinised by independent Public Sector Audit Authority.

5.2. In the case of disclaimer where no substantive audit is undertaken there will be standard fee determined by Public Sector Audit Authority.

5.3. For the years BDO have not undertaken audits, the Council can expect to make a substantial saving against budget.

6. Conclusion

6.1. The consultation and proposed changes should enable local authority audits to restart.

6.2. The process of clearing the backlog and re-starting effective auditing is a likely outcome from the changes. There are however risks that external stakeholders fail to take this opportunity to make the changes sustainable.

6.3. The s151 officer will report on audit progress, as necessary.

List of appendices:

None

Background papers:

Nil

Corporate Implications

Legal/Constitutional: None

Financial: As detailed

Potential impact on climate change and the environment: None

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

Personnel: None

Risk Management: None

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees

None

Relevant Policies and Strategies:

None



Chelmsford City Council Audit and Risk Committee

21 March 2024

Risk Management Report – Spring 2024

Report by:

Director of Connected Chelmsford

Officer Contact:

Alison Chessell, Procurement and Risk Services Manager, alison.chessell@chelmsford.gov.uk

Graham Page, Risk and Insurance Manager Graham.page@chelmsford.gov.uk

Purpose

This report:

- summarises the current position for the Council's Principal Risks
- Outlines risk management activity for 2024/25

Recommendation

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 our services and associated with our plans and strategies, so as to:
- ✓ encourage responsible, informed risk taking within our risk appetite
 - ✓ 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. Risk management activity for 2024

2.1 The Council has a new Risk and Insurance Manager in post, so we are in a period of change and review. This will result in a review of the Council’s risk profile, risk appetite and the insurance programme to ensure the correct level of protection is in place for the key risks identified in the review.

2.2 The Council’s Risk Management Strategy was last reviewed by this Committee in December 2022. Progress against the agreed priorities is summarised below:

Priority	Objectives for 2024
<p>Corporate Risk Maintaining the Principal Risk Register and detailed risk work according to priority.</p>	<ul style="list-style-type: none"> ✓ Principal Risks Register review and refresh with the senior management team – Q1 2024. Additional risks added to the Risk Register. Revised Risk Register to be in place by Q2 2024. ✓ Implementation of Lighthouse, the new risk management and compliance tool.
<p>Compliance</p>	<ul style="list-style-type: none"> ✓ Quarterly Health and Safety (H&S) and Fire Risk Assessment (FRA) compliance reporting to Management Team. ✓ Corporate risk reporting to Management Team.
<p>Insurance Refresh Reviewing claims, underwriting and reporting processes, with staff development taking place to support this work.</p>	<ul style="list-style-type: none"> ✓ Full insurance programme review to ensure it is in line with our risk appetite and good value for money, in preparation for insurance tender in 2025/26 ✓ Ongoing development of claims reporting and claims analysis to improve financial forecasts for the Council’s insurance reserve ✓ Ongoing reviews into systems, record keeping and up to date valuations for Fine Arts, Motor, Contract Works and General Property cover ✓ Completing fire and security review of major properties to provide detailed information for the insurance tender. ✓ Risk management training for newly elected members.
<p>Operational Risk Exploring how work to maintain the Council’s insurance programme can boost operational</p>	<ul style="list-style-type: none"> ✓ Health and Safety Driving at Work Policy developed in conjunction with Public Health and Protection to address driving risk and satisfy insurers requirements. ✓ Motor Insurers operational review of current policies and procedures and ensuring completion of their risk improvement actions. ✓ Pending implementation of a more user-friendly risk and compliance tool, insurance data will contribute toward

Priority	Objectives for 2024
risk management across the Council	populating operational risk registers, ensuring that they become a useful and relevant management tool at local level.

2.2 The focus of the next two quarters will be to fully implement the Lighthouse Actions Manager software solution across the organisation and support all users. The other key priority is to review and refresh the key strategic risks with management team and report these through Lighthouse Risk Module.

3. Principal Risk Summary

3.1 The Principal Risk Register is central to the risk management framework. The Principal Risks (which may include strategic, operational, project or compliance risks) are those which require regular oversight at senior level. Management Team receive detailed information from the Register to ensure that, where necessary, action is taken to further mitigate risks outside the Council’s indicative risk appetite.

3.2 A summary of the Council’s Principal Risks can be found in [Appendix 1](#). Much of the detailed information contained within the underlying Register is operational and may, in some cases, be sensitive. The review has added a number of key risks to the Principal Risk Register. These are being reviewed and rated by the Management Team.

3.3 We have implemented a slightly different approach to risk identification and risk capture in 2024, resulting in an increased number of risks on our risk register and heat map. This change relates to the increased volatility facing local councils and we feel it is important for there to be senior level visibility of all the key risks identified in the risk review.

3.4 The wider view of risks will be monitored by Management Team and senior officers through Lighthouse system via dashboards to provide live updates on the risk mitigation. Audit and Risk Committee will continue to receive updates every 6 months on Principle risks.

3.5 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.

4. Conclusion

4.1 Members are invited to note the ongoing work by Directors and Service Managers to manage the Council’s Principal Risks, along with the continuing development of the Council’s risk management framework.

List of appendices:

Appendix 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: The Performance Planning module is part of TechOne, the Council's Enterprise Resource Planning (ERP) system. ERP aims to increase efficiency and improve performance by integrating back-office systems and is key to the Council's Digital Strategy.

Other: None

Consultees:

Management Team, Audit Services Manager, Section 151 Officer,

Relevant Policies and Strategies:

Risk Management Strategy

Our Chelmsford, Our Plan

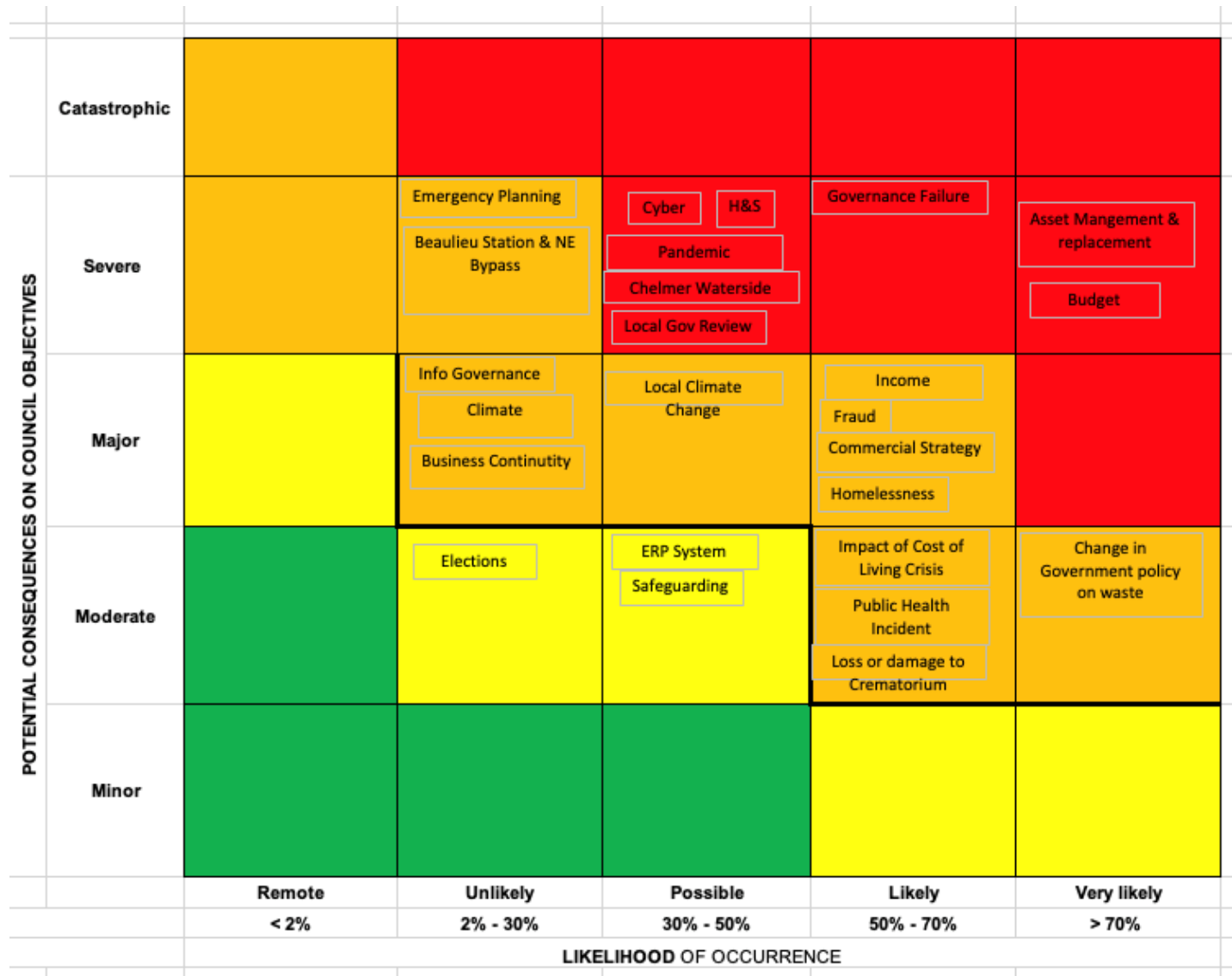
Ref	Risk Title	Category	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Comments
PRR 006	Homelessness	Operations	A fairer and more inclusive place	Paul Brookes	High	16	Inability to meet our statutory obligations to the homeless (and/or use our statutory powers to assist the homeless) promptly, effectively and efficiently	Measures currently being implemented should reduce demand whilst increasing availability of temporary accommodation whilst reducing cost, although high level of risk remains.
PRR 001	Cyber Security	Operations	All Themes	Louise Goodwin	Very High	18	Malicious attack results in significant loss of sensitive data and/or significant disruption to Council operations	The Council continues to respond to the increasing cyber threat by completing a programme of work coordinated by its consulting Chief Information Security Officer.
PRR 014	Health and Safety	Legal and Regulatory	A greener and safer place	Keith Nicholson	Very High	18	A serious health and safety incident occurs	The Council annual Health and Safety (H&S) audit programme continues using H&S specialists, Peninsula.
PRR 012	Chelmer Waterside Development	Projects	A fairer and more inclusive place	Keith Nicholson	Very High	18	The housing and other development potential of Chelmer Waterside is not realised in accordance with the new Local Plan	Consultant project managers monitor and report monthly on project risk and performance.

Ref	Risk Title	Category	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Comments
PRR 019	Income and Financial Position	Financial	All Themes	Nick Eveleigh	High	16	The sustainability of the Council's financial position is challenged	Ongoing financial pressures are being monitored and mitigated through Council's Medium-Term Financial Strategy, budget setting, and capital and revenue monitoring cycles.
PRR 005	Fraud	Financial	All Themes	Nick Eveleigh/ Louise Goodwin	High	16	Major fraud attempt (potentially undetected) is successful and there is little or no recourse for the Council	Detailed fraud risk assessment has been completed and a fraud action plan is in place.
PRR 004	Emergency Planning	Operations	A greener and safer place	Keith Nicholson	High	15	Ineffective emergency planning response breaches the Council's duties under the Civil Contingencies Act	The Council continues to work with Essex Resilience Forum to ensure it is well-placed to respond.
PRR 020	Beaulieu Station & Chelmsford NE Bypass	Projects	A fairer and more inclusive place	Paul Brookes	High	15	Funding is partially or wholly withdrawn resulting in non-delivery of key infrastructure	Essex County Council continues to lead on risk management, and good progress on both projects continues to be made. Both projects are currently on schedule and within budget.
PRR 016	Information Governance	Legal and Regulatory	All Themes	Louise Goodwin	High	13	A serious data breach occurs and/or other significant instance of non-compliance with data legislation	Implementation of the Council's GDPR action plan continues. Inherent risk of the very highest financial penalties for non-compliance being issued to local government bodies appears reduced.

Ref	Risk Title	Category	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Comments
PRR 021	Climate and Ecological Emergency	Reputation	A greener and safer place	Keith Nicholson	High	13	The Council fails to effectively engage with the environmental agenda	Implementation of the Council's Climate and Ecological Emergency Action Plan continues.
PRR 003	Business Continuity	Operations	All Themes	Keith Nicholson	High	13	Ineffective business continuity response enables an event to disrupt Council operations to a greater extent than planned for	Council strategy is being adapted (a) for changes to working patterns and the digital environment (b) to focus on operational resilience (rather than specific events). The Council remains well-placed to respond.
PRR 010	Enterprise Resource Planning	Projects	All Themes	Nick Eveleigh	Medium	9	The intended benefits of the TechOne system are not realised in full including Assest Management Module	Priorities for TechOne development are under review by TechOne Board/ Management Team. Ris in conjunction with the Digital Portfolio Office.
PRR 015	Safeguarding	Legal and Regulatory	A greener and safer place	Keith Nicholson	Medium	9	A safeguarding incident occurs which, through action or omission by the Council, might otherwise have been prevented	A recent Section 11 child safeguarding audit (by Essex Safeguarding Board-moderated self-assessment) gave positive assurance that child safeguarding objectives are being met.
PRR 023	Governance - Key person/Succession planning/ recruitment and retention	Operations	All Themes	Nick Eveleigh	Very High	20	Identifying dependencies on key persons and implementing succession planning	There are several key staff who could retire from The Council in the next 2 to 5 years therefore this could result in a significant loss of knowledge and experience which could seriously impact on service delivery. Current significant issues in recruitment in certain service areas

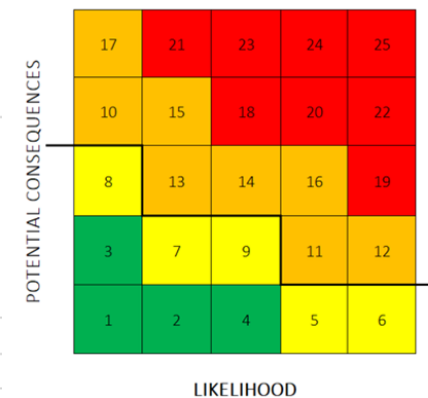
Ref	Risk Title	Category	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Comments
PRR 024	Asset management funding and replacement	Operations	A greener and safer place	Keith Nicholson	Very High	22	Inadequate planning and investment in key income generating assets [for example High Chelmer Multi-Storey Car Park	There are a number of properties that require refurbishment or replacement, condition surveys identify requirements, but the necessary work must be planned and budgeted for.
PRR 025	Climate Change	Operations	A greener and safer place	Keith Nicholson	High	14	Understanding risks to the public, failure to mitigate risks of climate change/flooding	Undertake a risk assessment to identify any assets that could present a risk in weather events. Implement resilience and resistance measures as appropriate. Linked to PRR 021
PRR 026	Pandemic	Operations	A greener and safer place	Nick Eveleigh	Very High	18	Ensuring we are ready for another pandemic	Update and maintain plans used for the previous pandemic
PRR 028	Impact of cost of living crisis	Operations	A greener and safer place	Keith Nicholson	High	11	Increased poverty, homelessness, civil unrest	Linked to PRR 006 & PRR 004 – ensure strategies in place to consider impact of cost of living on residents.
PRR 029	Public Health	Operations	A greener and safer place	Keith Nicholson	High	11	Major public health emergency	Undertake separate risk assessment to establish potential emergency situations, liaise with Essex Resilience Forum. (Linked to PRR 004)
PRR 030	Change in government policy on waste	Operations	A greener and safer place	Keith Nicholson	High	12	Potential increased income stream	Ensure The Council is positioned to meet the new requirements and has adequate capacity to meet demand.

Ref	Risk Title	Category	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Comments
PRR 031	Local government review	Legal and regulatory	All Themes	Nick Eveleigh	Very High	18	Unification, devolution, legislative changes	Ensure the MT is monitoring potential changes in government policy.
PRR 032	Budget/exposure to financial risk	Financial	All Themes	Nick Eveleigh	Very High	22	An example could be High Chelmer closing due to lack of reduced tenants and footfall	Establish plans for significant commercial and retail closures in the City centre.
PRR 033	Commercial Strategy	Projects	A greener and safer place	Keith Nicholson	High	16	Involvement in commercial investment properties	Review commercial investment plans and ensure these are within the current appetite.
PRR 034	Loss or damage to the crematorium	Operations	A greener and safer place	Keith Nicholson	High	11	Loss of income, no alternative operational solution. No space to meet requirements.	Complete condition surveys and complete required maintenance regimes. Set up reciprocal arrangements with alternative suppliers. Source alternative location.
PRR 035	Elections	Legal and regulatory	A fairer and more inclusive place	Louise Goodwin	Medium	7	Recruitment of staff to run elections, election fraud/failure	Ensure staff are available to run elections effectively.



Risk score	Risk level	Management response
18 to 25	Very High Risk	Critical - Immediate/sustained action required
10 to 17	High Risk	Concerned - Action required (exceeds appetite)
5 to 9	Medium Risk	Cautious - Action required (to ensure appetite is not exceeded)
1 to 4	Low Risk	Comfortable - monitor and review (low cost/ efficiency measures only)

Indicative risk appetite



As moderated by Management Team (w/c 19 February 2024)

Principal Risk Summary – Key to Consequence Ratings

Appendix 1 (cont.)

	FINANCIAL	OPERATIONS	PEOPLE	REPUTATION	LEGAL & REGULATORY	MAJOR PROJECTS	AUDIT
CATASTROPHIC	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
SEVERE	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 and 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.	Failure of major projects and/or politically unacceptable increase on project budget/cost. Elected Members are required to intervene.	
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 and performance of staff.	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
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 and performance or staff.	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

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
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Chelmsford City Council Audit and Risk Committee

21st March 2024

Internal Audit Plan 2024 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 2024 and Internal Audit Charter to Committee.

Recommendations

Committee are requested to note the Internal Audit Plan for 2024 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 2024 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, AGS Action Plan as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks.
- 1.4. As with last year, we have produced a 6-month plan for work 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.

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 (1.5 FTE Senior Auditor).
- 2.3. Additional 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 work closely with risk management 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.
- 7.4. The Internal Audit Charter is attached for Committee to note.

8. Conclusion

8.1. The Internal Audit Plan 2024 and Internal Audit Charter 2024 is attached for Audit & Risk Committee to note.

List of appendices: Internal Audit Plan 2024 and Internal Audit Charter 2024

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 2024 and by Management Team 21st February 2024

Relevant Policies and Strategies: None

Internal Audit Draft Annual Plan 2024 (April to September)

Area	Audit Title	Link to Corporate Plan	Link to Principal Risk	Fraud Risk Assessment <i>(also links to PRR 005 – Fraud)</i>	Indicative Scope <i>(at the start of each audit, an initial discussion will be held to agree the specific objective and scope of the review)</i>
XC	Volunteers	Connected Chelmsford	PRR 015 - Safeguarding		<i>Review of cross-service compliance with the Council's Volunteering Policy.</i>
XC	Officer and Member Conflict of Interest			FRC05 - Decision-making	<i>Review of the recording, administering and monitoring of staff/Members declarations of interest and of gifts and hospitality.</i>
XC	Emergency Planning & Business Continuity		PRR 004 - Emergency Planning Response		<i>Review of the Council's Business Continuity and Emergency Planning arrangements.</i>
XC	Corporate Health and Safety		PRR 014 - Health and Safety		<i>Deep dive into area of specific Health and Safety to review governance arrangements for oversight of compliance.</i>
XC	Insurance		PRR 019 - Income & Financial Position	FRC019 - Insurance claims	<i>Cross-Council review of insurance arrangements.</i>
CE	Key Financial Systems		PRR 019 - Income & Financial Position	FRC06 Payment Fraud; FRC09 Manipulation of data/false accounting; FRC010 Income Collection; FRC011 Theft; FRC015–017 Revs & Bens	<i>Specific risk areas TBC.</i>
CC	Corporate Events	Healthy, Active & Enjoyable Lives	PRR 015 - Safeguarding		<i>Review of the processes in place for the delivery of corporate events.</i>
PP	Hylands House	Healthy, Active & Enjoyable Lives	PRR 019 - Income & Financial Position	FRC010 - Income Collection	<i>Review of the operational and financial arrangements at Hylands House, including corporate sales and hires.</i>
PP	Safeguarding & Modern Slavery		PRR 015 - Safeguarding		<i>Review of the Council's arrangements for Safeguarding and Modern Slavery.</i>
SC	Temporary Accommodation	Fairer and Inclusive Chelmsford	PRR 006 - Homelessness	FRC03 - Social housing & tenancy	<i>Review of the Council's arrangements for Temporary Accommodation.</i>
SC	Building Control		PRR 019 - Income & Financial Position	FRC05 - Decision-making / FRC010 - Income Collection	<i>Review of the operational and financial arrangements for the Building Control service.</i>
SC	Affordable Accommodation	Fairer and Inclusive Chelmsford	PRR 012 – Chelmsford Waterside		<i>Review of the oversight arrangements for monitoring affordable accommodation.</i>

Proposed Audit Areas (October to March 2025)

Area	Audit Title	Link to Corporate Plan	Link to Principal Risk	Fraud Risk Assessment
XC	Cyber Security	Connected Chelmsford	PRR 001 - Cyber Security	FRC 015 - Data theft and other cyber crime
XC	Information Governance	Connected Chelmsford	PRR 016 - Information Governance	FRC 015 - Data theft and other cyber crime
XC	Climate Change Action Plan	A Safer and Greener Place	PRR 021 - Climate & Ecological Emergency	
CE	Financial Resilience (Budgetary Control)		PRR 019 - Income & Financial Position	
CC	Payroll			FRC 011 - Payroll and expenses
PP	Corporate Property & Asset Management	Fairer and Inclusive Chelmsford	PRR 019 - Income & Financial Position	FRC 009 - Corporate property
PP	Community Sports & Wellbeing (incl Playschemes)	Healthy, Active & Enjoyable Lives	PRR 015 - Safeguarding	FRC 012 - Income Collection
PP	Fleet Management and Vehicle Maintenance	A Safer and Greener Place	PRR 014 - Health and Safety	
PP	Air Quality	A Safer and Greener Place	PRR 021 - Climate & Ecological Emergency	FCR 008 - Grants to individuals and voluntary sector
SC	Car Parks	Fairer and Inclusive Chelmsford	PRR 019 - Income & Financial Position	FRC 012 - Income Collection
SC	Garden Communities	Fairer and Inclusive Chelmsford	PRR 020/ PRR 012	

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 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. They also regularly liaise with the Accountancy Services Manager, 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).

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. Any suspicion of fraud will be handled by the team in line with Council's fraud response plan.

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.
- Support the annual report process which summarises the work that the Audit and Risk Committee has undertaken during the financial year, in line with CIPFA's Position Statement for Audit Committees and which is ultimately reported to Full Council.
- 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 Chief Executive 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 Chief Executive 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

21st March 2024

Accounting policies for the 2023/24 Statement of accounts

Report by:

Accountancy 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 2023/24 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 Accountancy Services Manger approval of any amendments.
 2. That Audit & Risk Committee note the proposed new national publication deadlines for the Statement of Accounts and their Audit.
-

1. Introduction

- 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.
- It is considered best practice that Members consider the accounting policies upon which the accounts are prepared prior to a meeting at which the Statement of accounts will be approved.

2. Updates to Accounting Policies

- The accounting policies were reviewed to comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) and are set out in **Appendix A**.
- No significant changes have been made to the 2023/24 Code resulting in only minor updates to the accounting policies. These can be seen as tracked changes in Appendix A. However, changes to policies may be required arising from the government initiatives to clear the national audit backlog.
- CIPFA/LASAAC, the body responsible for approving the Code were asked by the Government to contribute to identifying reforms that would enable the sector to address the worsening external audit backlog. As a result, CIPFA have recently issued a consultation on temporary measures, which will close on 28th March. The consultation includes two key proposals for changes to the 2023/24 and 2024/25 codes:
 - to use alternative simplified approach to measure operational property, plant and equipment assets using specified indexation instead of external valuations, and
 - reduction to disclosure requirements for pensions reporting.
- As the above changes alter how we prepare our accounts, if implemented they will require us to update our accounting policies. A delegation is sought in the report recommendations for the Accountancy Services Manager to amend the accounting policies, as necessary. Any significant changes will be communicated to this Committee when the statement of accounts is presented.
- It is also stated within the consultation, that CIPFA/LASAAC is planning to consult on additional proposals that would affect the 2025/26 code, which will further explore simplifying the requirements for the operational property, plant and equipment assets measurements and more proportionate reporting on

pensions in local authority financial statements.

2. Accounting standards issued but not yet adopted – IFRS16 Leases

- The above standard was due to be implemented by local authorities in 2022/23 accounts. However, following an emergency consultation, CIPFA made changes to the Code in order to allow implementation of the changes to accounting for leasing (IFRS 16) to be postponed by local authorities until April 2024 (2024/25). It was felt that the sector needed more time to prepare for this significant change. Only additional notes on the estimated impact of the standard will need to be included in the 2023/24 accounts. Preparation work by officers for the implementation of this standard is underway and next year's (2024/25) accounting policies will be updated as necessary.
- IFRS 16 extends the current definition of a finance lease to cover all leases, from the lessee's (the user of the asset) position. An operational lease, where rentals are included in the service expenditure of the Comprehensive income and expenditure statement in the year that they are paid as revenue transactions, will no longer exist from a lessee's perspective. The change will result in accounting implications as the value of the lease needs to be capitalised and recorded as a 'Right of Use' asset on the lessee's balance sheet. A corresponding liability (effectively debt) must also be recognised on the balance sheet, extending over the life of the lease, to reflect the lease payments still to be made.
- IFRS 16 will have an impact on all the main statements in the accounts including the balance sheet, comprehensive income and expenditure statement and cash flow statement. A number of new disclosure notes will also be required to be published in the Statement.
- Further changes as a result of adopting IFRS 16 relate to assets being leased under a 'peppercorn' agreement coming on balance sheet, the measurement of liabilities from leases,
- Exceptions will be granted for leases of small value assets and for very short-term leases, but a number of existing operating leases will need to be reclassified and reported on the balance sheet, which could potentially have prudential borrowing implications.

3. Proposed publication deadlines

The Government (DLUHC) have also consulted on altering the audit deadlines for next few years as a measure to enable the sector to catch up with delayed audits. For 2023/24, the current proposals are:

Local Authority Publication Deadlines

- The deadline for preparing and publishing draft accounts remains on 31 May.

Auditor Deadlines

- The current proposal is for the final statement of the accounts to be published by 31 May 2025.

This deadline coincides with the publication deadline for the 2024/25 draft accounts publication, and it is therefore likely that one of these two deadlines will have to move for authorities to achieve publication deadline and to respond to auditors queries in timely manner. The consultation concluded on 7th March 2024 and the DLUHC's conclusion was not known at the time of publishing this report.

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:

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 2023/24 and our position at the year-end, 31 March 2024. 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 2023/24 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.

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. 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, 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 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.
- 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 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 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 and adjusts for valuations based on insurance premium changes resulting from the 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, botanica and geological specimens
5. Social, agricultural and industrial history, including costume
6. Statues
7. Mayor's office

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, and these will be recorded at valuation on their acceptance by the Council.

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. [The agreement is currently in the process of being renewed.](#) However, we do not include regimental collections in our Balance sheet valuations.

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

We are holding money as the main authority for a joint project with several other local authorities to improve houses in Essex [and Hertfordshire](#). 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 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 done, or when the asset has been delivered to us, rather than when we actually pay for it.

Different types of assets are valued recorded as follows:

- Vehicles and equipment such as freighterslorries, computers or lawnmowers are held valued at cost of buying them-
- Community assets such as parks are held valued at historic cost, unless the external valuers identify a more appropriate value.
- Infrastructure such as bridges are held valued 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. Where there is no market-based evidence because the asset is so specialised 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. 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, Surplus and large assets with a value in excess of £2m 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. The valuation date is 31st March 2024.

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 2-25 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.

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 <u>or surplus</u> 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 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 (DRC) 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 are on the Council's Balance sheet and do not have a financial impact on service delivery. All Investment, Surplus, Other Land and Building assets includes assets with a value over £2m, all car parks, owned temporary accommodation properties and specialised operational assets (DRC) over £2m were valued as at the 31st March 2023. An indexation advised by our valuers was applied to the remaining DRC buildings assets below £2m. The carrying value of these assets as at 31/03/2023 is as follows: - Other Land and Buildings £90m Other Land and Buildings DRC £82m Surplus £9m Investment £59m. 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 31/3/2023 was £59m.

External funding

During 2023/24 we received grants from the Government to redistribute to individuals within the Council's area.

For each grant we considered the grant conditions to decide if we acted as an agent or principal for the grant, using following judgments:

- Where the Council had a control over the distribution or amounts of grant it is deemed to be acting as a principal and we recognised the grant and expenditure within the Comprehensive Income and Expenditure statement.
- Where the Council was purely intermediary in distributing the grants we acted as an agent and the transactions were not recognised in the Comprehensive Income and Expenditure statement. If we have been awarded more grant than we need or less than we recognise a creditor or a debtor.



Chelmsford City Council Audit and Risk Committee

21st March 2024

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. Compliance with CIPFA Position Statement on Audit Committees

- 2.1. **Committee Training** – Options for training opportunities are being explored.
- 2.2. **Committee self-assessment** – a self-assessment will be circulated by the Audit Services Manager to Committee Members for Committee to evaluate its impact and identify any further areas of improvement in April 2024.

3. Rolling Programme of Work

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.

12th June 2024

(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 Update	TBC
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 Terms of Reference	
Audit & Risk Committee Work Programme	Audit Services Manager

18th September 2024

Agenda Item	Report Owner
External Audit Update	TBC
Health and Safety Annual Report	Public Health and Protection Services Manager
Risk Management Report	Procurement and Risk Services Manager
Internal Audit Plan October 2024 to March 2025	Audit Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

11th December 2024

Agenda Item	Report Owner
External Audit Update	TBC
Internal Audit Interim Report 2024/25	Audit Services Manager
Procurement Update	Procurement and Risk Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

19th March 2025

Agenda Item	Report Owner
External Audit Update	TBC
Internal Audit Plan 2025 + Internal Audit Charter	Audit Services Manager
Risk Management Report	Procurement and Risk 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 legislation also emphasises the importance of the audit committee, including:

- Delivering Good Governance in Local Government: Framework
- PSIAS
- 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
