

Audit and Risk Committee Agenda



13 December 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

13 December 2023

AGENDA

1. Apologies for Absence and Substitutions

2. Minutes

To consider the minutes of the meeting held on 27 September 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 Update (verbal update)

7. CIPFA Financial Management Code Assessment

8. Internal Audit Interim Report 2023/24

9. Procurement Update

10. Audit & Risk Work Programme

Part II (Exempt Items)

To consider whether the public (including the press) should be excluded from the meeting during consideration of the following agenda items on the grounds that they involve the likely disclosure of exempt information specified in the appropriate paragraph or paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972 indicated in the agenda item.

11. 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.

12. Urgent Business

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

**MINUTES OF THE
AUDIT AND RISK COMMITTEE**
held on 27 September 2023 at 7pm

Present:

Councillor N. Walsh (Chair)

Councillors, N. Dudley, K. Franks, I. Grundy, A.B. Sosin, and S. Sullivan

Also in attendance –

Independent Person –
Mr C Groves

1. Attendance and Apologies for Absence

Apologies for absence were received from Councillors N. Bugbee, D. Clark, and R. Whitehead, for which Councillor S. Sullivan stood in as a substitute for.

2. Minutes

The minutes of the meeting on 21 June 2023 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 Councillor R. Whitehead as a newly appointed member of the Audit & Risk Committee as well as the designated independent person, Mr Groves.

6. Update on External Progress

The Committee received an update on the significant delays to the external audit of the statement of accounts.

The Committee received and noted the letter from the Parliamentary Under-Secretary of State, Lee Rowley MP. The officers identified key positive actions to developed by Government to ensure audit delays were managed effectively which included that the accounts to be more focused on local government risks; change statutory deadlines for publication; allowing Auditors the option not to audit sections of account; produce Value for Money assessments for outstanding years; Financial Reporting Council to increase emphasis on the timelines, and; improve external auditor capacity.

It was however noted by the officers that the deadlines proposed by the Government were perceived to be unrealistic due to BDO's lack of engagement. It was also noted as the audits were delayed by so much, these would not have a lot of value. Officers also noted that the emphasis on the timeliness of audits still cannot be enforced.

In response to the questions and statements from Members of the Committee, it was advised that;

- The government identified that the public sector audit resources needed to grow.
- With regards to the valuation of assets, lower levels of audit testing for non-investment assets, were likely in future, as this carried little risk to tax-payer. For investment properties which at many authorities had been funded by debt would have high levels of audit challenge.
- Regarding the auditing of the pension fund, new guidance would aim to reduce the duplication of external audits currently taking place at pension fund and district councils.
- Officers informed the Committee that it was still unclear how the new auditors, Ernest Young (EY), would be able to start the audits as BDO remained unresponsive. So could not provide a handover. A more substantial conversation would take place with EY soon.

RESOLVED that the Update on External Progress be noted.

(7.04pm to 7.15pm)

7. Draft Statement of Accounts 2022/23

The Committee received the draft unaudited Statement of Accounts 2022/23. Members had already in June been provided with copy, as published on the Council's website. The meeting represented a formal chance to start consideration of the accounts. It was noted that the Council's account would only be legally approved on completion of the external audit.

In response to the questions from the Committee, it was advised that;

- It was clarified that the Council did not have any external loans. References to borrowing in the accounts were either finance leases or internal borrowing.
- It was observed that the audit delay did not have much of an impact on how suppliers view the Council. Except for banks who usually required audited accounts.
- Regarding financial support for residents during COVID, officers advised that the Council had set up a Hub to support residents. Other than that, payments to the public for Covid support were funded by Government.
- With regards to the details on the theatre capital programme, it was advised that the statement of accounts does not identify specific schemes in the capital programme. It was advised that the outturn reports made to committee in June would have details.

RESOLVED that the Draft Statement of Accounts 2022/23 be considered.

(7.15pm to 7.20pm)

8. Annual Health & Safety Report 2022/23

The Committee received the Annual Health and Safety Report from the Public Health and Protection Services Manager. The report summarised the activity undertaken with corporate health and safety in the last 12 months.

The Council was committed to high standards of health and safety and have noted their partnership with Peninsula, which have been in place since 2020, in providing advice and carrying out audits across the higher risk services. The Council have a broad range of services and it was made sure that we are compliant with the legislation and its Health, Safety, & Welfare Forum would further promote cooperation, best practice, and development in improving the health, safety, and welfare of employees at work.

It was reported that 1185 training courses were completed by employees in total including e-learning courses which were accessible to all staff. It was also noted that a small proportion of employees failed to attend training and there would be a disciplinary process to ensure that staff attend all required training.

Accidents continued to be a key indicator on the effectiveness of the health and safety system. It was noted that as parks and waste collections continued to operate throughout the COVID pandemic, the numbers of accidents from these areas should not be affected. However, it might have had an indirect effect due to the increase in accidents in 2022/23 but still lower than pre-pandemic. There was also an increase in RIDDOR-reportable accidents with 2022/23 having four more than the previous year. Public Places remained to have the majority of the accidents due to high-risk activities but it was also noted that there was an increase of accidents in Sustainable Communities. Slips/trips, as well as impact, caused the most of injuries but actual numbers remained low to the scale of waste collection operation. Concerns were raised regarding the acts of violence which increased in 2022/23 with three incidents were noted against Council staff. Future incidents would be monitored to see if

additional safeguards or training would be put in place. Accidents to members of the public were also decreasing and were noted to be lower than pre-pandemic.

The Committee were also informed of the audit investigations and it was noted that low risk audits can slip when higher priority work is required to be carried out. They report also noted audits completed by Peninsula, who were the external auditors and looking back where accidents were occurring. Peninsula undertook audits for Freighter House including Depot, Parks, Riverside, and South Essex Parking Partnership. There were no outstanding high-risk actions following from Peninsula audits and the Committee were also informed of the range of audits to be undertaken for the year.

In response to the questions and statements from the Members of the Committee, it was advised that;

- In relation to the three violent incidents experienced by the Council staff from the members of the public, it was advised that occupational health were in place for the employees. It was advised that incidents were reported to the police as well.
- Regarding the low numbers of employees trained on VDU assessor training on the report, it was advised that nobody had been trained since 2019 due to self-assessments taking in place instead in response to hybrid work environment. Employees would be able to assess their workstation at home and it was advised that VDU Assessor Training would discontinue. It was also reported that IOSH Working Safely Refresher was also to discontinue as the Working Safely course is retaken.
- In clarification of the function of Peninsula, it was advised that they were an international company whose main business was to provide advice on HR but they were also able to provide advice on health and safety which was noted very few companies would be able to.
- With regards to a query regarding stress management and mental health, it was noted that this function moved to HR who facilitate a lot of mental health work as well as provide occupational health.
- Regarding to freedom to speak out policies and questionable practices. . Any raised issues sent directly would be actioned but would not be logged. Officers advised that a system would be developed and accessed via the Intranet. The Committee was also advised of the whistleblowing policy which would be recorded.

RESOLVED that the Annual Health & Safety Report be noted.

(7.20pm to 7.41pm)

9. Updated Internal Audit Plan 2023

The Committee received a report updating them of the current work on Internal Audit Plan 2023.

The Committee noted that the Internal Audit Plan used to set out work for the full year ahead. This was changed to a six-month rolling plan instead to allow flexibility and the

Internal Audit Plan is reviewed at midpoint in the year. The report therefore outlined the areas for review from October to March 2024.

The Committee was informed that the internal audit plan was risk-based with input from the Council's corporate plan, Principal Risk Register, Fraud Risk Register, and Annual Government Statement. Local and national risks were also taken into consideration in the internal audit plan.

The Committee was informed that officers make sure to provide assurance with regards to the Council's highest risk priorities. It was advised that the work to be undertaken still aligned with priorities. A list of reviews to be undertaken were shared to the Committee.

RESOLVED that the updated Internal Audit Plan 2023 be noted.

(7.41pm to 7.44pm)

10. Counter Fraud Strategy Action Plan Update

The Committee received a report updating them on the Counter Fraud Action Plan with the work undertaken since the last update in March 2023. It was noted that the Committee had approved the 2022-24 Counter Fraud Strategy and the corresponding action plan in December 2022.

Officers advised that a lot of work had been undertaken and notified Members of the next stages of the action plan. The Committee was updated that the training and awareness activities for staff and Members was soon to be rolled out. This would enable them to underpin the Council's responsibilities to promote anti-fraud. There is a Fraud response plan to ensure that council staff and Members were aware of what actions they should take and who they should be talking to prevent and detect fraud.

The Committee was also informed that the Fraud Risk register and Anti-Bribery and Corruption would be uploaded to Lighthouse to better monitor risks. Officers would also continue to monitor the 2022/23 NFI matches and that a Counter Fraud Annual Report would be produced for the March 2024 Committee to demonstrate how the Council is meeting Fighting Fraud and Corruption Locally best practice.

In response to a query with regards to resources, officers advised that this would be monitored given the small internal audit team within the Council. It was stressed that countering fraud was the whole council's responsibility and the strategy is a council-wide approach rather than sole responsibility of a specific team.

RESOLVED that the Counter Fraud Strategy Action Plan update noted.

(7.44pm to 7.48pm)

11. ARC Work Programme

The Committee was 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.

The Committee was informed of the successful recruitment for the two Independent Persons position as recommended by CIPFA. They were also notified of the training needs assessment to be circulated around the Committee members to identify training needs. The Committee was also reminded of the self-assessment that would also be circulated to evaluate impact and identify further areas of improvement.

Regarding a query about the demonstration of the Lighthouse system, officers advised that this would be covered under the risk management report at the December 2023 meeting.

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

(7.48pm to 7.50pm)

12. Urgent Business

There was no urgent business for the meeting.

The meeting closed at 7.50pm.

Chair



Chelmsford City Council Audit and Risk Committee

13th December 2023

Update on the CIPFA's Financial Management Code (FM Code)

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

Update Members of the application of the CIPFA Financial Management (FM) Code and the Council's self-assessment.

Recommendations

1. Contents of this report be noted.
 2. Agree that actions identified should be undertaken.
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1. Introduction

1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) published The Financial Management Code (FM Code) in October 2019. The first full year of compliance was targeted by CIPFA as 2021/22. Due to the change of Section 151 officer and financial workloads in 2021/22, Members of the City Council received a formal report on the application of the FM code in September 2022.

1.2. This report provides an update on progress and changes since September 2022.

2. The FM code

2.1. The FM code:

- provides guidance for good and sustainable financial management in local authorities, giving assurance that authorities are managing resources effectively.
- requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management, which is an essential part of ensuring that public sector finances are sustainable.
- identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management.

2.2. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

2.3. By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements.

2.4. Sets out the principles by which authorities should be guided in managing their finances and the specific standards that they should, as a minimum, seek to achieve.

2.5. The six underlying principles that inform the FM Code have been developed in consultation with senior practitioners from local authorities, local policing bodies and associated stakeholders. The principles have been designed to focus on robust financial management as a way of achieving both short-term financial resilience and long-term financial sustainability.

The principles are as follows:

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.

- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit, and inspection.
- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

2.6. A financial management practice that conflicts with one or more of these principles will not be acceptable practice even if it is not ruled out explicitly by the FM Code itself.

2.7. The CIPFA Financial Management Code translates the principles of good financial management into a series of standards. These standards address the aspects of an authority's operations and activities that must function effectively if financial management is to be undertaken robustly and financial sustainability is to be achieved.

2.8. The areas covered by the standards are:

- the responsibilities of the chief financial officer and leadership team
- governance and financial management style
- long to medium-term financial management
- the annual budget
- stakeholder engagement and business plans
- monitoring financial performance
- external financial reporting

2.9. Appendix 1 updates the assessment of the Council's arrangements against each of the seven standards using the assessment criteria established by CIPFA in the FM code. Text in red in Appendix 1 are updates since last reported to committee.

3. Conclusion

3.1. The Council is materially compliant with the CIPFA FM code

3.2. As can be expected the good financial management of the authority is a process that is continuous.

List of appendices:

Appendix 1 – CIPFA FM code assessment

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:

Management Team

Relevant Policies and Strategies: None

Standard	Assessment against CIPFA criteria	Areas for Improvement/Clarifications
<p>The responsibilities of the chief finance officer and leadership team the concept of the 'leadership team' will include executive committees, elected mayors, portfolio holders with delegated powers and other key committees of the authority and senior officers.</p>		
<p>a) The leadership team is able to demonstrate that the services provided by the authority provide value for money <i>(In order to achieve compliance with the FM Code, consideration of value for money should be an integral feature to the decisions made by the leadership team, especially those relating to the allocation of resources or to the delivery of services.)</i></p>	<p>Audit opinion clear on VFM. Our Chelmsford, Our Plan – we have developed within the Council's ERP (financial system) processes to monitor actions and to maintain focus. This assists in achieving VFM by not diverting beyond objectives unless necessary. The monitoring will be reported to Overview and Scrutiny Committee. Large capital scheme proposals require a business case before proceeding; options, costs and benefits are established. Digital Investment is strategically managed by DPO team Management Team to ensure effective development of IT/digital programmes at Council. Procurement processes. The Council has in place and regularly reviews its procurement rules/procedures. Savings/efficiencies -We undertake an annual challenge to lower cost and not impact service levels as part of budget process. The delivery of the savings is monitored.</p>	<p>i)A review of financial rules has now taken place and been approved by Full Council. ii)The process of Post-Project Reviews for capital schemes to be included as part of review of Capital Bid Process. Summer 2023. Update: A new capital strategy and project framework is being developed for implementation in 2024. A key objective being greater alignment of budget setting and project final cost</p>
<p>b) The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2016) The CIPFA Statement on the Role of the Chief Financial Officer in Local Government states that the Chief Financial Officer:</p> <ul style="list-style-type: none"> is a key member of the leadership team, helping it to develop and implement strategy and to 	<p>The Accountancy Services Manager (Chief Finance Officer / S151 Officer) is a fully qualified CIPFA member and reports to the Chief Executive. The S151 officer has advance access to the Management Team Agenda and can request attendance at the meetings, if items have material financial implications. The S151 officer is part of the decision-making process on changes to the budget during the year (as consultee on delegations or Cabinet reports).</p>	<p>Counter fraud work. A review of the authority's Fraud risk is being undertaken. The work has recently transferred to Internal Audit Service. Update; A new framework has been reported to Audit and Risk committee and actions to deliver</p>

<p>resource and deliver the authority’s strategic objectives sustainably and in the public interest</p> <ul style="list-style-type: none"> • must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the authority’s financial strategy • must lead the promotion and delivery by the whole authority of good financial management so that public money is always safeguarded and used appropriately, economically, efficiently, and effectively • must lead and direct a finance function that is resourced to be fit for purpose • must be professionally qualified and suitably experienced 	<p>The S151 officer attends Audit and Risk Committee.</p>	<p>improvements are underway. The Audit Services Manager is leading on the process to embed the changes within the organisation.</p>
<p>Governance and financial management style</p>		
<p>The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control</p> <p>Key questions</p> <ul style="list-style-type: none"> - Does the leadership team espouse the Nolan principles? - Does the authority have in place a clear framework for governance and internal control? - Has the leadership put in place effective arrangements for assurance, internal audit, and internal accountability? - Does the leadership team espouse high standards of governance and internal control? - Does the leadership team nurture a culture of effective governance and robust internal control across the authority? 	<p>Nolan principles: the Council’s Annual Governance Statement identifies the codes of conduct that Council officers and members are expected to adhere. The codes align with Nolan principles.</p> <p>The Internal Audit Annual Report of the Chief Auditor, as required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards, gives the Chief Auditor’s opinion on the overall adequacy and effectiveness of the organisation’s governance arrangements, risk management and internal control environment, drawing attention to any issues particularly relevant to the preparation of the Annual Governance Statement. It also sets out key themes arising from the work of the Audit Team during the financial year, and compares the audit work undertaken with that planned, summarising the performance of the Internal Audit function against its performance measures and targets.</p> <p>The annual report is made to the Council’s Audit and Risk Committee. The report for 2022/23 identified appropriate arrangements for control, risk, and governance at the Council.</p>	

	<p>Council officers have formed a Corporate Governance Group to support these actions and behaviours. The Governance group is made up of Service managers as key stakeholders from across the organisation.</p>	
<p>The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016) <i>This CIPFA/SOLACE framework recommends that the review of the effectiveness of the system of internal control that local authorities in England, Wales, Scotland, and Northern Ireland are required to undertake by their respective accounts and audit regulations should be reported in an annual governance statement.</i></p>	<p>The Local Code of Corporate Governance sets out the framework of policies, procedures, behaviours, and values by which Chelmsford City Council is governed. It describes how the organisation complies with each of the core principles to deliver the best outcomes for the local communities it represents, and to ensure effective governance across the organisation.</p> <p>The Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015. Once approved, the AGS will form part of the Statement of Accounts and will be signed by the Chief Executive and the Leader of the Council.</p> <p>In line with the CIPFA/SOLACE framework, the AGS is “an open and honest self-assessment” of the Council’s performance across all of its activities and:</p> <ul style="list-style-type: none"> • Describes the key elements of the Council's governance arrangements during 2022/23, covering all corporate systems and the range of activities for which the Council is responsible • Identifies the evidence available where improvements have been made and focusses on examples of good practice • Describes processes applied in reviewing their effectiveness • Lists actions proposed to provide more effective governance arrangements 	
<p>The financial management style of the authority supports financial sustainability</p> <p>CIPFA view this by: <i>accountability the finance team ensures that their authorities spend less and so achieve economy.</i></p>	<p>The Council has across services a strong financial culture. Budgets: Emphasise the need to have robust reserves. Don't rely on material levels of one-off income to fund ongoing services.</p>	<p>In year-reporting; greater service involvement being developed via a Financial Module of ERP.</p> <p>Update; This is an ongoing process with incremental</p>

<p>performance, the finance team works with the authority to spend well by maximising the output from goods or services and so achieves efficiency. Enabling transformation, the finance team supports the effective use of public money.</p>	<p>Include savings/efficiencies identified so the budget is set with a fully costed savings programme. Risk Management principal risks are identified/captured and managed (including financial aspects). Investment in ERP and improving data and financial management.</p>	<p>improvements as and when resources are available in accountancy. Improvements to date include automation of key processes for budget production and more comprehensive monitoring of car parking income and energy budgets.</p>
<p>Long to medium-term financial management CIPFA does not believe that the time horizon of local authority financial planning is determined by the time horizon of the financial support from central Government.</p>		
<p>The authority has carried out a credible and transparent financial resilience assessment.</p>	<p>A risk assessment is undertaken as part of the Medium-Term Financial Strategy and a strategic risk is recorded relating to delivery of the MTFS and financial sustainability. All risks have identified mitigations and are monitored regularly. The Council also holds a Risk Register of principal risks and to identify risks (including financial) in respect of major projects. MT Team identify major projects and strategic risks.</p>	
<p>The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.</p>	<p>5 Year strategy in MTFS Reserves forecasts. Capital & Investment strategies in place.</p>	<p>Financial long-term planning needs to increase its capture of information on the significant service investments that need to be made by the Council, i.e., corporate priority schemes where budgets have not yet been approved. Including addressing how these objectives can or will be financed in principle. Update: Ongoing process with changes to capital strategy (financial planning) in 2024 and continued risk management.</p>
<p>The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.</p>	<p>The Council has all the strategies/policies in place as required and recommended by the Code. (Capital, Investment and Treasury strategies)</p>	
<p>The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.</p>	<p>The 5-year rolling Medium Term Financial Strategy is refreshed mid-year and reported to Council. A further review is undertaken</p>	

	<p>as part of the budget setting process. The MTFS is linked to Our Chelmsford, Our Plan, to ensure that key objectives and priorities are funded and resourced.</p> <p>An approved minimum General Fund/Contingency reserve is set to mitigate any in year financial risks</p>	
The annual budget		
<p>The authority complies with its statutory obligations in respect of the budget setting process.</p>	<p>The Council sets a balanced budget. The Councils has set a council tax increase within the council tax referendum limits and is aware of the rules regarding referendum. A properly recorded vote takes place at Council meetings.</p> <p>General fund contingency level remains around or above the level established by the S151 Officer. The Council is aware of the circumstances and the process for issuing a Section 114 notice, but S151 does not envisage this occur over the medium term.</p>	
<p>The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.</p>	<p>The S151 officer includes a statement within the annual budget report on the robustness of estimates and the appropriate level of reserves.</p>	
Stakeholder engagement and business plans		
<p>The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan, and annual budget.</p>	<p>Agendas and reports are shared in draft to opposition members in advance of publication dates, so comments can be made.</p> <p>Business Consultation meeting takes place annually.</p> <p>The MTFS is published in July and engagement on budget matters can therefore take place on social media in the period up to February Council meeting.</p> <p>Meetings where budget matters are discussed are all 'broadcast' on social media.</p> <p>Consultation on the next year's Budget now takes place in the Autumn and January.</p>	
<p>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</p>	<p>The development of capital schemes and major digital investment requires the production of business cases. These identify expected outcomes (financial and non-financial). The business case also considers other available options.</p>	<p>The review of the process of requests (bids) for capital funds and post project reviews was due to be completed summer 2022. This has been delayed due to staff sickness and a new plan is</p>

		being developed around workloads. Update: A new capital strategy and project framework is being developed for implementation in 2024. An objective being greater alignment of budget setting and final cost of projects.
Monitoring financial performance		
The leadership team acts using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	Reports 4 times a year, with actions to leadership team. MTFS/forecast updated twice a year Investment in new ERP (including Financial System)	Continue to work with service managers to improve effectiveness of budget reporting and management. Improve accuracy of in year budget forecasting. Update; this is an ongoing action.
The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	Key areas of risk identified <ul style="list-style-type: none"> • Property charging commercial rents and their valuations are considered at Treasury Management and Investment Subcommittee (TMISC) 3 times a year. • Investment/cashflow – are considered at the TMISC 3 times a year • Business rate retention income and as a consequence provisions/risks reported in revenue monitoring. • The Council currently has no external debt, but internalised borrowings are reported within the Capital strategy. • Bad debts and debtors; the level of arrears has never been sufficient concern to require separate reporting. 	
External financial reporting		
The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.	The Statement of Accounts are prepared in compliance with The Code. The Statement of Accounts for 2019/20 received an unqualified audit opinion. The Council accounts 2022/23 were published in draft format in-line with statutory requirements.	The lack of an external audit since 2020/21 is of significant concern. It is hoped that Government action will address and resolve this during 2024.

<p>The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.</p>	<p>The Management Team, Cabinet Members and Audit & Risk Committee are provided with an outturn report detailing significant variations to budget. The report includes the request for carry forwards and identifies earmarked reserves.</p>	
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Chelmsford City Council Audit & Risk Committee

13th December 2023

Internal Audit Interim Report 2023

Report by:

Audit Services Manager

Officer Contact:

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

Purpose

This report summarises the work that Internal Audit has undertaken from April to November 2023 and provides detail on the high risk and priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council.

Recommendations

Committee are requested to note the contents of this report.

1. Introduction

1.1. The audit plan for 2023-24 was approved by Audit and Risk Committee in March 2023.

1.2. Current resourcing is as follows:

- 1.0 FTE – Audit Services Manager
- 1.5 FTE – Senior Auditor

1.3. We are on track to complete the audit plan by end of March 2024, taking into consideration any high priority/urgent pieces of work which require accommodation, as discussed and agreed with management.

2. Conclusion

- 2.1. The Internal Audit Interim Report 2023 is attached for Audit & Risk Committee to note.

List of appendices: Internal Audit Interim Report 2023

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 Management Team November 2023

Relevant Policies and Strategies: None

Audit Output Summary: April to November 2023

a) Work Completed

Report Title	Assurance Rating	Key Issues Arising
Theatres - Box Office Income	Moderate	No high priority findings identified. Medium findings were identified relating to weekly reconciliations and periodic management checks.
Theatres - Food and Beverages	Substantial	No high priority findings identified. Medium findings related to the cashing up audit trail and development of expenditure analysis.
Parks and Open Spaces Income	Substantial	No high priority findings identified. One medium finding has been identified relating to timeliness of invoices.

b) Follow Ups - Completed

Audit Title	Key Findings
Car Parks (Moderate)	In the previous report, five recommendations (three medium and two low priority) were made. Our follow up audit revealed that four recommendations have been fully implemented and one low risk recommendation relating to the Car Park Strategy is currently work in progress and has a revised due date of December 2023.
On street parking and enforcement (Moderate)	In the previous report, five recommendations (four medium and one low priority) were made and accepted by management. Based on the evidence presented, our follow up audit revealed that four recommendations (three medium and one low priority) have been implemented. The remaining outstanding medium recommendation relates to the inclusion of the Bribery Act in staff training and awareness. This will be implemented when planned wider corporate anti-bribery training is rolled out during 2023/24.
Council Tax Base (Substantial)	In the previous report, one medium recommendation was made. Our follow up audit revealed that this recommendation has been fully implemented.

c) Audit Plan - Work in Progress and Scheduled to 31st March 2024

Audit Title	Notes
KFS - Council Tax and Housing Benefit	Final Report due December 2023
Safer Recruitment	Final Report due December 2023
Council Surveillance	Final Report due December 2023
UKPSF (Economic Development)	Final Report due December 2023
Off-Payroll Workers	Review of the Council's arrangements for engaging off-payroll workers. Report due January 2024.
Housing Rents	Review of the Council's arrangements for Housing Rents and service charges, including managing collection and arrears and reporting and management oversight.
Volunteers	Review of the Council's arrangements for managing volunteers.
Corporate Property & Asset Management	Review of governance arrangements for Council's Corporate Property and Asset Management process, including maintenance of property records.
Members Allowances and Expenses	Review of recording, administering and monitoring Members Allowances and Expenses to ensure they comply with Council Policy and Codes of Conduct.
Member and Officer Conflicts of Interest	Review of the recording, administering and monitoring of staff/Members declarations of interest and of gifts and hospitality and to examine how the Council monitors compliance with and reports against the Council's Codes of Conduct.
Key Financial Systems 2023/24	Use of Data Analytics to review the anti-fraud controls within the Council's AP system.
Licensing & Compliance	Extended Follow Up of previous audit review, to include implementation of Dynamics and income management.
Chelmsford City Culture	Review of the Council's shared Cultural Vision, Strategy and Action Plan and its framework for reporting progress.
Financial Resilience	Review of governance arrangements for budgetary control and monitoring of savings, including monitoring the Council's compliance with Financial Management Code

Audit Title	Notes
Community Sports & Wellbeing	Review of operational and financial arrangements
Cyber and Information Security	Review of 3rd Party Supplier terms and conditions and areas highlighted by the Cyber Essentials self-assessment.

d) Follow Ups scheduled to March 2024

Original Audit Title	Original Assurance Rating
Procurement Cards	Limited - 3 high priority findings
Rent Deposit Scheme	N/a management letter - 2 high priority findings
KFS	Moderate – 1 high priority finding
Leisure Centres	Moderate – 1 high priority finding
Environmental Health	Substantial
Project Management Governance	N/a management letter



Chelmsford City Council Audit and Risk Committee

13th December 2023

Annual Procurement Report

Report by:

Procurement & Risk Services Manager

Officer Contact:

Alison Chessell, Procurement & Risk Services Manager, Email:
alison.chessell@chelmsford.gov.uk, Tel: (01245) 606598

Purpose

The report provides summary of:

- Procurement & sourcing activities as a scheduled report on the delivery of procurement services in line with the work programme.
- The changes that the new Procurement Bill will have on procurement activity.

Recommendations

For the contents of this report be noted.

1. Introduction

- 1.1. The Procurement Team supports the Council's corporate priorities through enabling officers to purchase goods, services and works in a way which is not just legally compliant, but which also secures value for money. This report provides an overview of the legislative environment and the governance of the procurement function.

2. Legislation - New Procurement Bill

- 2.1. In 2019/20 £295.5 billion was spent on procurement from the public sector to the private sector, of this £82.4 billion was spent by local government (HM Treasury – Whole Government Accounts 2019/20)
- 2.2. Public procurement is the purchase of goods, services and works by public sector bodies. Prior to the end of the transition period at 11pm on 31st December 2020, public procurement was regulated through EU procurement rules implemented into UK legislation by Public Contracts Regulations (2015).
- 2.3. From 11pm on 31st December 2020, several amendments were made to the legislative framework, to reflect the UK’s departure from the EU and to implement the Withdrawal Agreement with the EU, and other associated agreements.
- 2.4. The regulations apply to their fullest, extend to contracts which exceed a threshold value. The value is revised every two years. The values are unchanged since the EU Exit but are now set by the World Trade Agreement Organisation under the UK’s participation in the Government Procurement Agreement.
- 2.5. The thresholds are as below. The values from 2022 onwards include VAT.

Contract Value Period	Goods Contracts	Service Contracts	Light Touch regime Contracts	Works Contracts	Concession Contracts
1 Jan 2022 – 31 Dec 2024	£213,477	£213,477	£663,540	£5,336,937	£5,336,937
1 Jan 2024 – 31 Dec 2026	£214,904	£214,904	£663,540	£5,372,609	£5,372,609

- 2.6. In December 2020, the government published its Green Paper: Transforming Public Procurement. The aim of the reforms is to speed up and simplify procurement processes, provide opportunities for small and medium enterprises and tailor the procurement framework to the country’s needs.
- 2.7. The basis of the reforms has been prepared into a Procurement Bill, which was announced in the Queens speech of May 2022. The Bill has been through, both the House of Lords, and the House of Commons and has 124 clauses arranged over 13 parts, and 11 schedules. The Act represents the most significant shake-up to procurement law and practice for a generation.
- 2.8. The Bill will introduce a new supplier selection regime, based on existing principles of non-discrimination, fair treatment, value for money and transparency and integrity. While value for money would remain a core

objective of procurement, the Bill will require public sector buyers to take a broad view and take account of national strategic priorities that are set out in the National Procurement Policy.

2.9. The Bill received Royal Assent on 26th October 2023, becoming the Procurement Act 2023. The Act will come into force in October 2024, along with secondary legislation required to implement certain provisions of the Act.

2.10. Key Changes:

- A single regime – the Act consolidates the current four sets of legislation into one single regime.
- Enhanced transparency regime – this will include the full procurement lifecycle. This will include publishing information about future procurements ahead of time, procurement results and information on contract performance.
- All opportunities will now be advertised in Find a tender Service, not the European publication Official Journal of European Union.
- Publication of KPI's and supplier performance against them.
- Requirement for notices to contract changes mid-term for contracts over £2m.
- Discretionary grounds for exclusion based on supplier poor performance.

2.11. Changes in business processes will be undertaken to ensure that compliance with the new regulations is ready for the change in October 2024.

3. Procurement Policy and Contract Rules

3.1. The Council has an adopted Procurement Strategy and Social Value Procurement Policy covering 2020 – 2025 and also Contract Rules and a Procurement Manual as the key documents for setting policy, framework and providing advice to officers.

3.2. The overriding procurement policy requirement is that all procurement must be based on value for money principles, and be undertaken in a fair, open and transparent way.

3.3. The contract rules which are part of the Constitution, outline limits of spend and delegations throughout the organisation, summary in table below:

Amount	Process
Up to £50k	Service Manger to use best practice principles – 2 quotes advised.
£50k to £100k	Minium requirement for 3 quotes or compliant process
Over £100k	Consultation with Procurement Team

- 3.4. The contract rules do not direct officers to the Procurement Team when undertaking lower value procurements, so it is possible for individual departments, or officers, to run informal quotations or pursue approval for exemptions from the contract rules, without prior consultation from the Procurement Team.
- 3.5. The Procurement Team must be consulted on all procurement in excess of PCR (2015) limits. Officers must remember that public money are spent correctly, fairly and transparency. The current Public Contract Regulations (2015) which the Councils Contract Rules are based on has the four guiding principles or fairness, openness, transparency and non-discrimination. These principles the Council has a duty to uphold when procuring goods, services and works.

4. Procurement Team

- 4.1. The Procurement team consists of two staff managed by the Procurement & Risk Services Manager. The team has had a vacant post of Procurement & Commissioning Manager for 11 months and this has impacted on ability to deliver some objectives. A CIPS Procurement Trainee was recruited in August 2023 as part of a restructure in the team, due to difficulties in recruiting a qualified and experienced officer.
- 4.2. The Procurement & Risk Services Manager has recently gained Fellowship status of the Chartered Institute of Procurement & Supply (CIPS). The Procurement Officer is qualified to Level 4 CIPS and undertaking Level 5 qualification currently, and the Graduate Procurement Officer will be starting to study Level 4 through a degree apprenticeship scheme.

5. Procurement Activity Completed

- 5.1. The team continues to provide full procurement services to Uttlesford District Council within the existing resources. This shared service is working well and provides affordable qualified advice for Uttlesford and resilience.
- 5.2. This arrangement also provides development opportunities for staff at Chelmsford and income for the Council. The team will be working with the Contract team and Uttlesford, to deliver a contract management framework during 224.
- 5.3. The service for Uttlesford resulted in 31 requirements of advice or tender support during the period Nov 2022 to 2023, with an award value of £ 7.1m. This included one OJEU full competitive tender process and 4 further awards over threshold value.

5.4. Support for Chelmsford in the same period resulted in 39 requirements for formal procurement advice or tender process with an award value of £6.6m. Of the 39 processes, 7 were over threshold value.

5.5. There were only 7 Compliance Register entries for the year of Nov 2022 to Nov 2023 for Chelmsford. Two of these entries were for apprenticeships, where only one local or specialist provider was suitable.

6. Planned Procurement Activity

6.1. The main focus for 2023 for the team is to prepare for the new Procurement Bill and train staff to raise awareness of the new legislation. Some changes to process will be required to ensure that a pipeline for future procurements is published.

6.2. A contract management framework is in the process of being designed and implemented for key officers. This is a recommendation from the 2023 Internal Audit Report and good practice across the organisation.

6.3. Continued development of contracts module and procurement data from the Enterprise Management System will be undertaken during 2024.

List of appendices:

Nil

Background papers:

- Social Value Procurement Policy
- Procurement Strategy 2020 – 2025

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:](#)

Relevant Policies and Strategies:

Procurement Strategy

Social Value Procurement Policy 2020 - 2025



Chelmsford City Council Audit & Risk Committee

13th December 2023

Audit and Risk Committee Work Programme

Report by:

Audit Services Manager

Officer Contact:

Elizabeth Brooks, Audit Services Manager, email: 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. In June 2023, Committee agreed several actions to ensure the Committee meets the recommendations made in the CIPFA's Position Statement on Audit Committees. The update on actions are as follows:
- 2.2. **Recruitment of Co-opted Independent Member(s)** – a second Independent Person, Jeannine Hoeckx has been successfully recruited to Audit and Risk Committee.
- 2.3. **Committee Training** – a training needs assessment has been circulated to Committee Members to identify any training requirements. The results will be analysed and options for training opportunities will be shared.

2.4. **Undertake a 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 prior to 31st March 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.

20th March 2024

Agenda Item	Report Owner
External Audit Update	TBC
Internal Audit Plan 2024 + Internal Audit Charter 2024	Audit Services Manager
Counter Fraud Annual Report	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

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 2023/24	Audit Services Manager
Audit & Risk Committee Annual Report 2023/24	
Review of the Audit & Risk Committee's 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 September 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
CIPFA Financial Management Code Assessment	Accountancy Services Manager (s151)
Internal Audit Interim Report 2023/24	Audit Services Manager
Procurement Update	Procurement and Risk Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

List of appendices: None

Background papers: None

Corporate Implications

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