

Audit and Risk Committee Agenda



**15 March 2023 at 7pm
Remote Meeting**

Membership

Councillor N.M. Walsh (Chair)
Councillor M. Sismey (Vice Chair)

and Councillors

D.J.R. Clark, W.A. Daden, N.A. Dudley, G.B.R. Knight, J.M.C.
Raven, E.J. Sampson, and A.B. Sosin

Local people are welcome to attend this meeting, where your elected Councillors take decisions affecting YOU and your City. There will also be an opportunity to ask your Councillors questions or make a statement. These have to be submitted in advance and details are on the agenda page. To find out more about attending please email jan.decena@chelmsford.gov.uk or telephone on Chelmsford (01245) 606260.

This meeting is being held remotely on Microsoft Teams. If you wish to observe the meeting, you can email committees@chelmsford.gov.uk.

Audit and Risk Committee

15 March 2023

AGENDA

1. Apologies for Absence and Substitutions

2. Minutes

To consider the minutes of the meeting held on 14 December 2022

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)

7. Internal Audit Plan 2023 and Charter
8. Counter Fraud Strategy Action Plan Update
9. Accounting policies for the 2022/23 Statement of accounts
10. Audit and Risk Committee 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. Counter Fraud Investigations Update

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 14 December 2022 at 7pm

Present:

Councillor N.M. Walsh (Chair)

Councillors, D.J.R. Clark, W.A. Daden, N.A. Dudley, G.B.R. Knight E.J. Sampson and
A.B. Sosin

Also present: Councillors C. Davidson and M. Goldman

1. Attendance and Apologies for Absence

Apologies for absence were received from Councillors Raven and Sismey.

2. Minutes

The minutes of the meeting on 21 September 2022 were confirmed as a correct record.

3. Declarations of Interests

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

4. Public Questions

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

5. Announcements

No announcements were made.

6. Internal Audit Interim Report 2022/23

The Committee received a report regarding internal audit activity this year to date, which included counter fraud activity following the recent discovery of two external frauds that were committed against the Council by outside bodies. Due to their sensitive nature, there were limited details that could be provided. One of the external frauds related to a phishing attack, which the Council reported to the bank and the police via Action Fraud. This also created an opportunity to internally review the process to ensure that the risk is reduced significantly going forward. It was also noted by the Committee that the other fraud activity is being investigated externally, and therefore could not be discussed in detail to avoid prejudicing the investigation but it was hoped that more details would be given in the future. The Council is also internally reviewing the process affected. It was noted that the Council's Counter Fraud Strategy has been refreshed in order to mitigate the risk of fraud.

It was also noted in the rest of the paper that various audits are on track to be completed, including reports due in December 2022 with an exception relating to leisure centres which should be completed in the New Year.

In response to questions from Members, because of the sensitive nature of the fraud activities, the Council could only provide limited details, but will update Committee as and when possible. With a question regarding if there are any high risks coming out of the reports due in December 2022, it was noted that no high risks were expected.

RESOLVED that the report be noted.

(7.02 pm to 7.09 pm)

7. Internal Audit Strategy 2023-24

The Committee received the Internal Audit Strategy for 2023-24, which supports the internal audit practices that have already been embedded in the Council for the last few years, but officers were keen to promote continuous improvement. It was noted that the team were heading towards a more agile planning process because as things are subject to change more quickly and risks start to emerge, moving to an agile plan means that it allows the team to be more flexible and respond appropriately. It was noted that, previously audit plans have been a full 12-month plan but this would be moved to a 6 monthly basis to ensure that the risks are reviewed bi-annually. It was also noted that Internal Audit are due to receive an external quality assessment in 2023 and any progress would be reported back to the Committee.

RESOLVED that the report be noted.

(7.09pm to 7.12pm)

8. Risk Management Report

The Committee received a report summarising the current position for the Principal Risks of the Council that also reviewed the risk management activity in the financial year to date. The principal risks discussed were the Income and Financial Position, Theatre Refurbishment and Rebranding, and Enterprise Resource Planning.

It was noted in the discussions after the report that the information in the report was based on the information available in the public domain at the time of writing and that the Principal Risk risks involving Income and Financial Position would be re-examined in full when further details of the Council's financial settlement from central government were known. there were further details.

RESOLVED that the report be noted.

(7.12pm to 7.22pm)

9. Counter Fraud & Corruption Strategy 2023 and Action Plan

The Committee received a report detailing the 2023 Counter Fraud and Corruption Strategy which included key principles such as acknowledging the responsibility for countering fraud and corruption, identification of fraud and corruption risks, provision of resources to implement the strategy and the action to be taken in response to fraud and corruption. It was noted that current national/global issues and the pandemic had increased the risk of fraud. The Counter Fraud and Corruption Strategy 2023 has been developed in line with best practice, such as CIPFA's Managing the Risk of Fraud and Fighting Fraud and Corruption Locally checklist. Supplementing the strategy is the action plan which sets out how the strategy would be delivered. Work to March was discussed, including review of the whistleblowing policy and training analysis, as everyone at the Council has a responsibility to manage the risk of fraud and should know what to look out for to prevent it. A further update would be provided to Management Team and ARC in March 2023.

RESOLVED that,

1. the report be noted;
2. the team to be thanked for their detailed work on Counter Fraud Strategy.

(7.22pm to 7.26pm)

10. External Audit Update (verbal)

The Committee received an update regarding the external audit. The external auditors had been notified regarding the frauds that occurred and it was noted that there had been delays to the sign off of the 2021 statement of accounts as a result of auditors seeking additional assurances. The Committee had been notified that the Council are trying to engage with our external auditors to discuss how we could improve the audit process, but the delays to audit sign offs was a national problem with many audits missing the sign off deadline. It was also noted that the Council met with PSAA, the

body responsible for appointing our external auditor, to raise the issue of delays formally and met with our auditor's liaison for local government audit who confirmed that BDO intend to send out letters to their clients setting out broad level of their approach to catching up with audits. Letter is expected to be sent in the next month and will be shared with the committee members outside the normal audit meeting timetable.

RESOLVED that the update be noted.

(7.26pm to 7.30pm)

11. Procurement Update

The Committee received an update regarding the formal procurement and sourcing activities undertaken by the Procurement Team and the forthcoming plans.

The Procurement Team detailed notable achievements in their report. The team noted the successful contract with Uttlesford District Council which covered the running of request-for-quotation (RFQ) and tender processes, providing advice on the use of frameworks and general support and strategic advice on contract rules and public sector procurement regulations. This had provided learning and marking shared deficiencies as services bought are similar and helped the Council duplicate support for both. The team had also provided training and support for SMEs regarding procurement mainly to assist small businesses to recover post-pandemic. Previously, online training had been provided however a 1 to 1 with a consultant were now being provided by a partner organisation. The Social Value Policy was also discussed and it was reported that buyers were now choosing social value scoring and making sure it was aligned with our objectives. It is noted that the Council had been piloting the use of Crown Commercial Service's PMP (Print Marketplace) which is an online printing portal that operated by allowing users to seek quotes for printing jobs across a range of suppliers. The team had also renewed large frameworks which had taken a while. The frameworks allow the team to perform mini competitions with pre-approved and selected suppliers to ensure competitive pricing from trusted suppliers. The team had also notified a contract for HVO fuel, consolidation of the use of the Contract Module, and cost reductions.

The planned activities from November 2022 included a change to the public sector procurement regulations which included proposals to move to a single, more flexible procurement process model, that would simplify the route to market decision. It had been noted that this would not fundamentally make a change in budgeting and moved to a 'most advantageous tender' principle. There was also continued embedding of the social value policy which included evolving the data gathering and reporting process. The team had also notified the Members of training which would be focused on contract management and the team would be designing a new contract management framework for service users. This was to support and train staff in using contracts.

RESOLVED that the update be noted.

(7.30pm to 7.47pm)

12. ARC Work Programme

The Committee received a report updating them on the rolling programme of work.

RESOLVED that the report be noted.

(7.47pm to 7.48pm)

13. Urgent Business

There was no urgent business for the meeting.

The meeting closed at 7.48pm

Chair



Chelmsford City Council Audit and Risk Committee

15th March 2023

Internal Audit Plan 2023 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 2023 and Internal Audit Charter to Committee.

Recommendations

Committee are requested to note the Internal Audit Plan for 2023 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 2023 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. There has been a slight change in our approach to previous years. Where previously a full twelve months has been planned upfront, this creates some limitations, for example, with different risks tending to emerge through the year, quite often causing originally planned work, especially in the last 6 months, to change. Therefore, for 2023, we have instead 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 2023 and Internal Audit Charter 2023 is attached for Audit & Risk Committee to note.

List of appendices: Internal Audit Plan 2023 and Internal Audit Charter 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 Service Managers during Jan/Feb 2023 and by Management Team 21st February 2023

Relevant Policies and Strategies: None

Internal Audit Draft Plan 2023 (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	Cyber Security		PRR 001 - Cyber Security	FRC 23_01 - Data theft and other cyber crime	<i>Review of 3rd Party Supplier terms and conditions and areas highlighted by the Cyber Essentials self-assessment.</i>
XC	Council Surveillance		PRR 016 - Information Governance	FRC 23_01 - Data theft and other cyber crime	<i>Review of the arrangements in place for RIPA and monitoring regulatory compliance regarding Council surveillance methods, including CCTV, Body Cameras, Fleet Trackers etc.</i>
XC	Volunteers	Connected Chelmsford	PRR 015 - Safeguarding		<i>Review of the Council's arrangements for managing volunteers; to consider safeguarding risks and health and safety implications.</i>
CC	Theatres	Healthy, Active & Enjoyable Lives	PRR 023 – Theatre Refurbishment	FRC 23_010 - Income Collection	<i>Ongoing Control Design Advice following the reopening of the Theatre.</i>
CC	Chelmsford City Culture	Healthy, Active & Enjoyable Lives			<i>Review of the Council's shared Cultural Vision, Strategy and Action Plan and its framework for reporting progress.</i>
CC	Safer Recruitment and Payroll		PRR 015 - Safeguarding	FRC 23_08 - Recruitment	<i>Review of the Council's onboarding and Payroll processes.</i>
PP	Parks and Open Spaces - Income/Hire including Allotments	Healthy, Active & Enjoyable Lives		FRC 23_010 - Income Collection	<i>Review of the arrangements for managing allotments and hiring, concessions, donations, sponsorship and events in Parks and Open Spaces.</i>
PP	Licensing & Compliance			FRC 23_05 - Decision-making	<i>Extended Follow Up of previous audit review, to include implementation of Dynamics and income management.</i>
PP	Corporate Property & Asset Management	Fairer and Inclusive Chelmsford	PRR 019 - Income & Financial Position	FRC 23_02 - Corporate property	<i>Review of governance arrangements for Council's Corporate Property and Asset Management process, including maintenance of property records.</i>
SC	Economic Development	Fairer and Inclusive Chelmsford		FCR 23_018 - Grants Received & Payable	<i>Review of the Council's arrangements for managing and reporting its use of the UK Prosperity Fund.</i>

Proposed Audit Areas (October to March 2024)

Area	Audit Title	Link to Corporate Plan	Link to Principal Risk	Fraud Risk Assessment
CE	Key Financial Systems 2023/24			FRC 23_06 Mandate Fraud; FRC 23_09 Manipulation of data/false accounting; FRC 23_010 Income Collection; FRC 23_011 Theft; FRC 23_015 – 017 Revs & Bens
CE	Financial Management Code Monitoring			
XC	Financial Resilience		PRR 019 - Income & Financial Position	
XC	Corporate Health and Safety Governance		PRR 014 - Health and Safety	
XC	Cyber Security		PRR 001 - Cyber Security	FRC 23_01 - Data theft and other cyber crime
XC	Information Governance and Security		PRR 016 - Information Governance	FRC 23_01 - Data theft and other cyber crime
XC	Events	Healthy, Active & Enjoyable Lives	PRR 015 - Safeguarding	FRC 23_010 - Income Collection
XC	Member and Officer Conflicts of Interest			FRC 23_05 - Decision-making
PP	Community Sports & Wellbeing (incl Playschemes)	Healthy, Active & Enjoyable Lives	PRR 015 - Safeguarding	FRC 23_010 - Income Collection
PP	Emergency Planning & Business Continuity		PRR 004 - Emergency Planning Response	
CC	Members Allowances and Expenses			FRC 23_07 - Payroll and expenses
SC	Housing Rents		PRR 006 - Homelessness	FRC 23_03 - Social housing & tenancy

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 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.
- 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

15th March 2023

Counter Fraud Strategy Action Plan Update

Report by:

Audit Services Manager

Officer Contact:

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

Purpose

This report provides an update on the work undertaken in relation to the Counter Fraud Strategy Action Plan to March 2023.

Recommendations

Committee are requested to note the content of this report.

1. Introduction

1.1. The 2022-24 Counter Fraud Strategy was approved by Committee in December 2022 with a corresponding action plan outlining how the strategy will be delivered. This report provides an update on the work undertaken to March 2023.

2. Update on Actions

2.1. Updating the Council's Fraud Risk Register and undertaking a role-based Bribery and Corruption risk assessment, and reviewing any mitigating actions required arising from the assessments (see Appendix A).

2.1.1. The Council has already identified Fraud as a risk in its Principal Risk Register (PRR005) and has developed a detailed Fraud Risk and Control Assessment (FRCA), breaking down the Council's overall fraud risk into 20 risk areas/categories. These are defined predominantly by considering CIPFA's annual Counter Fraud and Corruption Tracker

Survey (CFACT) and Fighting Fraud and Corruption Locally (FFCL), and then adapted to suit the Council's circumstances.

- 2.1.2. The existing anti-fraud controls in place against each risk have been re-assessed in order to provide a current and more accurate risk rating, taking into account the independent assurance provided by relevant Internal Audit assignments mapped against the controls identified. The FRCA is intended to be a live document which will continue to evolve with oversight from Corporate Governance Group.
- 2.1.3. Where any existing control weaknesses are identified, further mitigations have been devised and as further relevant Internal Audit reports, or other sources of assurance, become available these will inform the control assessment, and therefore the current risk rating, in each fraud risk area.
- 2.1.4. The assessment also considers new and emerging fraud risks and has informed the Internal Audit planning process, ensuring that Internal Audit efforts in assessing anti-fraud controls and/or proactive anti-fraud reviews are directed to the highest risk areas.
- 2.1.5. In addition, a separate Anti-Bribery and Corruption role-based risk assessment is in the process of being developed to identify the roles in the Council most at risk of bribery and corruption by considering amongst other things levels of seniority, budgetary responsibility, influences over procurement arrangements and the general nature of their duties (e.g., access to information and data, influence over policy decisions). By being role-based, the assessment can identify where appropriate compliance arrangements are required regardless of whether the role is filled by a Member, directly employed Officer, agency, interim, contractor or consultant. Once identified, these roles can then be monitored to ensure transparency over decisions, and any conflicts or failures to disclose are managed appropriately, and also appropriate training can be directed/targeted according to the level of risk.

2.2. Producing a revised Fraud Response Plan aligned to the new Counter Fraud and Corruption Strategy, including specialist fraud areas such as Prevention of Money Laundering etc.

- 2.2.1. The Council's refreshed Fraud Response Plan outlines how allegations of fraud/wrongdoing should be handled, however they are raised. The Fraud Response Plan sets out the framework for escalation, investigation and reporting outcomes to ensure that issues raised are handled consistently.
- 2.2.2. In addition, a separate Prevention of Money Laundering Policy is included within the Fraud Response Plan as Anti-Money Laundering legislation has its own specific procedural and reporting requirements.

2.3. Reviewing the Council's Whistleblowing Policy.

- 2.3.1. The Council's Whistleblowing Policy is in place to enable concerns to be reported that relate to any unethical or unprofessional behaviour within the Council or by its contractors and suppliers. The Council has appointed the Director of Corporate Services as its designated

Whistleblowing Officer. The Legal and Democratic Services Manager and the HR Service Manager are responsible for dealing with reported cases in the first instance as deputies.

- 2.3.2. The Legal and Democratic Services Manager undertook a review of the Whistleblowing Policy in January 2023 and reported the outcome to Governance Committee to establish whether changes are necessary to ensure the Whistleblowing Policy is compliant with legal requirements. It was reported that some minor updates are necessary (e.g. to include the latest website links) but otherwise the current policy is compliant and goes further than minimum legal requirements. There is potential for further legislative changes to be made in this area and the policy would be further reviewed at that stage.

2.4. Developing and refreshing training and awareness activities for staff and Members to underpin an understanding of anti-fraud and corruption responsibilities.

- 2.4.1. Discussions are underway with HR regarding developing and rolling out a refreshed training and awareness programme for Councillors, permanent, temporary and casual employees and agency workers during 2023. It will be aligned to the new Counter Fraud Strategy, encompassing Anti-Bribery and Corruption, the new Fraud Response Plan, Anti-Money Laundering Policy and Whistleblowing Policy.
- 2.4.2. The programme will also be used for all new starters and Members as part of their mandatory induction training.
- 2.4.3. Following the completion of the Bribery and Corruption Risk Assessment, more targeted training for specific roles will be identified and arranged.

2.5. Developing an NFI operations protocol to ensure we are maximising the benefits of the exercises and participating in the most efficient manner

- 2.5.1. The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council is required to submit data to National Fraud Initiative on a regular basis. As the latest major exercise is currently taking place, with matches released in February 2023, an NFI protocol will now be developed.
- 2.5.2. The Council also participates in the Pan Essex Counter Fraud Data Matching System. This Counter Fraud Matching System is primarily used to identify Council Tax related fraud across Essex, which is investigated by Compliance Officers within the Revenue Service.

3. Next Steps

- Collating NFI and Transparency Code statistics and developing an NFI operations protocol to ensure we are maximising the benefits of the exercises and participating in the most efficient manner. Transparency Code data will also be updated at year-end

- Developing and roll out training and awareness activities for staff and Members to underpin understanding of anti-fraud and corruption responsibilities.
- Agree a communications strategy with the Chief Executive to brief all Councillors, permanent, temporary and casual employees and agency workers on their role and responsibility in preventing and detecting fraud and publicising the new suite of policies.

4. Conclusion

- 4.1. A more detailed update on Counter Fraud Strategy Action Plan is provided below.

List of appendices: Counter Fraud Strategy Action Plan Update

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: Management Team 21st February 2023

Relevant Policies and Strategies: None

Counter Fraud and Corruption Strategy Action Plan – Update

Q3 (to Dec 2022)

Action Ref	Action	Status
G1.1 to G1.4	<i>Produce Counter Fraud and Corruption Strategy, review by CGG, and approval from Management Team and ARC</i>	Complete

Q4 (Jan – Mar 2023)

Action Ref	Action	Status
G2.1 & A1.1	<i>Review and update risk assessment of the Council's activities susceptible to fraud and/or corruption</i>	Complete
G2.2 & A1.2	<i>Review and monitor including any additional actions required.</i>	Complete
G2.3 & A1.3	<i>Brief Management Team and Audit & Risk Committee on fraud risks and mitigation through Counter Fraud Report</i>	Complete
PRE1.2	<i>The roles within the Council (whether a Member, directly employed member of staff, agency, interim, contractor or consultant) most at risk of bribery and corruption will be identified and risk assessed by considering levels of seniority, budgetary responsibility, influences over procurement arrangements and the general nature of their duties.</i>	In progress
PRE1.4	<i>Develop training and awareness activities for new staff and Members (through induction) and existing staff and Members (through refresher training) to underpin understanding of anti-fraud and corruption responsibilities.</i>	In progress
PRE3.1, 3.2, 3.3	<i>Review Council's Whistleblowing Policy, review by CGG, and approval by Management Team and Audit & Risk Committee* (*reviewed by Legal and Democratic Services Manager and reported to Governance Committee)</i>	Complete
PRE3.5	<i>Align training to new Counter Fraud Strategy and promote refresher training</i>	In progress
PRE5.1, 5.2, 5.3	<i>Produce Fraud Response Plan aligned to new Counter Fraud and Corruption Strategy and including specialist fraud areas i.e., Tenancy Fraud, Council Tax. Prevention of Money Laundering. review by CGG, and approval by Management Team and Audit & Risk Committee</i>	Complete
PRE6.1	<i>Produce an NFI operations protocol outlining roles and responsibilities for partaking in exercises, including prompt review of matches.</i>	In progress
PU2.1	<i>Internal Audit will align their Internal Audit Plan with Fraud Risk Assessment</i>	Complete
PU3.3	<i>CGG to consider engagement plan with external agencies.</i>	Complete
PU5.1	<i>Skills analysis to be undertaken by the CGG with training needs identified.</i>	In progress
PU5.3 and PRO1.3	<i>CGG to consider engagement plan with external support where required.</i>	Complete

Q1 (April to June 2023)

Action Ref	Action
PRE1.1	<i>Remind all staff and Members of their role and responsibility in preventing and detecting fraud through promotion of the Counter Fraud and Corruption Strategy.</i>
PRE1.3	<i>Remind service managers of their responsibility in monitoring these roles to ensure transparency over decision, and any conflicts or failures to disclose are managed appropriately.</i>
PRE1.4, PRE3.5	<i>Roll out training and awareness activities for new staff and Members (through induction) and existing staff and Members (through refresher training) to underpin understanding of anti-fraud and corruption responsibilities.</i>
PRE1.5	<i>Remind service managers of their responsibility for establishing and supporting an anti-fraud culture in their services, ensuring all their team members are aware of relevant policies and procedures relating to anti-fraud and bribery, code of conduct etc and adopting a robust control environment, including ensuring any internal audit recommendations are implemented promptly through inclusion in service plans to be monitored and actions reported locally.</i>
PRE2.2	<i>Remind service managers of their responsibility for undertaking due diligence to evaluate the background, experience, reputation of business partners.</i>
PRE3.4 & 5.4	<i>Promote awareness of new Strategy, Fraud Response Plan and Whistleblowing Policy internally and externally</i>
PRE4.1	<i>Remind service managers that new policies, procedures, strategies etc that may be connected to a fraud and/or corruption risk should be reviewed by the CGG for comments/amendments and to inform the Counter Fraud Risk Register.</i>
PU5.2	<i>Training undertaken as required (as identified by CGG) or identified skills gaps to be considered for inclusion in the fraud risk assessment.</i>

Q2 (July to September 2023)

Action Ref	Action
G3 & G4	<i>Present a regular report to Management Team and Audit & Risk Committee to compare the Council's progress against FFCL and Counter Fraud and Corruption Strategy to ensure that the Counter Fraud and Corruption Strategy is appropriate in terms of its fraud risk and resources.</i>
PRE2.1	<i>Review of Safer Recruitment procedures to ensure they mitigate fraud and corruption risks.</i>
PU1.1	<i>Transparency Code and NFI statistics will be collated annually and reported to Management Team and Audit & Risk Committee</i>
PU1.2	<i>Statistics will be reviewed by CGG to determine any trends/root causes and update Counter Fraud Risk Register accordingly.</i>
PU3.2	<i>CGG Counter Fraud activity will be included in the Counter Fraud Report to Management Team and Audit & Risk Committee.</i>
PRO2.1 & PRO2.2	<i>Fraud plan to be reviewed by CGG and included in the Counter Fraud Report to Management Team and Audit & Risk Committee.</i>

Appendix A - Fraud Risk and Control Assessment Summary – Current Risk from highest to lowest

Ref	Risk Title	Risk Event	Risk Score	Risk Rating	Approach to Mitigation
FRC 23_01	Data theft and other cyber crime	Data solicited or taken forcibly by external parties and/or used by insiders for personal gain, e.g., theft of personal data to perpetrate identify fraud.	18	Very High	Assessed as very high risk (in line with PRR) due to increasing external cyber threats and potential severe impact on the Council. Mitigation is through ongoing implementation of Cyber Security Action Plan. Risk is also monitored through PRR.
FRC 23_02	Corporate property	Purchase, sale or letting of property at anything other than market value/rate; provision of services without charge	16	High	Assessed as high risk due to potential severity of impact on the Council due to financial amounts involved. IA Review April 2023 will provide assurance on mitigating controls. Any arising actions to be monitored through IA Action Plan.
FRC 23_03	Social housing & tenancy	False applications, misallocation for personal gain, illegal subletting, secondary home use/abandonment, Right to Buy (indirect risk impacting local housing supply)	16	High	Mitigating actions will be monitored through IA Action Plan during 2023. Latest NFI results will be reviewed. External Fraud Support for Housing-related fraud, to be implemented.
FRC 23_04	Procurement and contracting	Collusion to distort fair an open competition, collusion between bidders, submission of false documents for payment, split contracts, collusion with contractors, post-award contract management etc.	14	High	Actions to be completed in 2023 per IA Procurement Report. IA KFS March 2023 to follow up prior year recommendations and consider Data Analytics for full data set testing. Development of relevant anti-fraud and corruption training and awareness per Counter Fraud Action Plan. Latest NFI results will be reviewed.
FRC 23_05	Decision-making	Corruption including bribery and improper influence, failure to declare conflicts/gifts, suppressing or providing false information to sway decisions or affect outcome	14	High	Role-based fraud, bribery and corruption risk assessment to enable a formal training and awareness plan to be targeted towards higher risk roles. Latest NFI results will be reviewed. Review of Whistleblowing Policy per Counter Fraud Action Plan.
FRC 23_06	Payment fraud	Diversion of payments, internally or following false requests (often cyber-enabled)	14	High	IA KFS March 2023 to consider Data Analytics for full data set testing. Development of relevant anti-fraud and corruption training and awareness per Counter Fraud Action Plan.
FRC 23_07	Payroll and expenses	False entries (e.g., ghost employees), inflation of payments, false claims for expenses and overtime, abuse of absence policies, IR35	14	High	IA Recruitment and Payroll Review 2023 and IA Use of Agency Review 2023 - any actions to be monitored through IA Action Plans. Latest NFI results will be reviewed.
FRC 23_08	Recruitment	False applications and identity fraud	14	High	IA Recruitment and Payroll Review 2023 and IA Use of Agency Review 2023 - any actions to be monitored through IA Action Plans.

Ref	Risk Title	Risk Event	Risk Score	Risk Rating	Approach to Mitigation
FRC 23_09	Manipulation of data/ false accounting	Omitting or making misleading, false or deceptive entries (e.g. performance, financial data etc.)	13	High	IA KFS March 2023 to consider Data Analytics for full data set testing.
FRC 23_010	Income collection fraud – other	Abuse of payment card data; invalid discount or other reduction in fees, invalid cancellation or refunds or write offs; fraudulently avoiding payment of debts	9	Medium	IA KFS March 2023 to consider Data Analytics for full data set testing.
FRC 23_011	Theft	Cash and equivalents e.g. funds via procurement cards and other assets for resale or personal use, including IT equipment, stores, fuel	9	Medium	IA Procurement Card Review 2023 - any actions to be monitored through IA Action Plan.
FRC 23_012	No recourse to public funds	False eligibility for housing allocation, homelessness support, housing benefit, council tax support	9	Medium	Mitigating actions will be monitored through IA Action Plan during 2023.
FRC 23_013	Money laundering	Exchanging money or assets that were obtained criminally for money or other assets that are 'clean'.	9	Medium	Consider money laundering training and awareness either separately or as part of wider Fraud Training and Awareness programme for staff, targeted towards higher risk roles.
FRC 23_014	Misuse of Council assets	Use of Council assets for personal gain at detriment to the Council (e.g. vehicles, buildings, parking spaces)	9	Medium	Review of Whistleblowing Policy per Counter Fraud Action Plan. Development of relevant anti-fraud and corruption training and awareness per Counter Fraud Action Plan.
FRC 23_015	Housing Benefit	False applications, including undeclared income or partners	7	Medium	IA review of HB - part of KFS 2023 - to assess effectiveness of assessment controls. Any actions to be monitored through IA Action Plan. Latest NFI results will be reviewed.
FRC 23_016	Non-domestic rates	Abuse of exemptions, discounts and reliefs (incl. Covid-19 sector-related), unlisted, vacant, extended premises, refund scams	7	Medium	IA review of BR - part of KFS March 2023 - Any actions to be monitored through IA Action Plan. Latest NFI results will be reviewed.
FRC 23_017	Council tax	Abuse of local council tax reduction support, single person and other discounts, refund scams, failure to register (Rising 18's)	7	Medium	IA review of Ctax - part of KFS March 2023 - Any actions to be monitored through IA Action Plan. Latest NFI results will be reviewed.
FRC 23_018	Grants Received and Payable	False claims to secure a grant or demonstrate terms may have been met, diversion of funds, abuse of position to award grants	7	Medium	Ongoing monitoring 2023

Ref	Risk Title	Risk Event	Risk Score	Risk Rating	Approach to Mitigation
FRC 23_019	Insurance claims	False or exaggerated claims (esp. personal injury)	7	Medium	Liaise with Insurance service.
FRC 23_020	Voting fraud	Fraudulent acts by voters, canvassers, poll clerks and officers, and/or count staff	3	Low	Assess any lessons learned post 2023 Elections



Chelmsford City Council Audit and Risk Committee

15th March 2023

Accounting policies for the 2022/23 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 to be used in the preparation of the 2022/23 accounts.

Recommendations

1. That the Audit & Risk Committee considers and notes the accounting policies to be used in the preparation of the accounts.
 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 2022/23 (the Code) and are set out in **Appendix A**.
- No significant changes have been made to the 2022/23 Code. Last year, 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), as it was felt that the sector needed more time to prepare for this significant change. As a result, additional notes on the estimated impact of the standard will now not be required until 2023/24 accounts. Preparation work by officers for the implementation of this standard are underway and next year's accounting policies will be updated as necessary.
- Officers, having reviewed the accounting policies, only identified need for minor clarification changes and updates to some of the Council's existing policies.

3. Proposed publication deadlines

The Government (DLUHC) has proposed changes to the audit deadlines. These deadlines are still subject to consultation, but the proposals suggest:

Auditor Deadlines

- From 2022/23 the deadline reverts back to 30 September for 6 years, until the end of the next PSAA appointing period for the external audits. (30 November for 2021/22 accounts)

Local Authority Publication Deadlines

- from 2022/23, the deadline for preparing and publishing draft accounts reverts to 31 May (31 July for 2021/22 accounts)

DLUHC issued a consultation to give local authorities opportunity to put forward any concerns about the draft accounts deadline moving back to 31st May from 2022/23. The consultation concluded on 1st March 2023 and the DLUHC's response was not known at the time of publishing the report. Officers put forward the view that the City Council would aim to produce accounts by the 31st May but felt the requirement was going to be practically difficult for many other authorities to meet. Also given the lateness of audits the change would produce little benefit but would increase pressure on stretched Council resources. Several authorities failed to meet the extended deadline last year due to pressures on their resources caused by the delayed audits and by the financial challenges faced in the current economic climate. There is therefore a possibility that the deadline may be extended again.

List of appendices:

Appendix A – The Council's accounting policies

Background papers:

Nil

Corporate Implications

Legal/Constitutional:

The report needs to be presented to comply with the Accounts and Audit Regulations 2015

Financial:

None

Potential impact on climate change and the environment:

None

Contribution toward achieving a net zero carbon position by 2030:

None

Personnel:

None

Risk Management:

None

Equality and Diversity:

None

Health and Safety:

None

Digital:

None

Other:

None

Consultees:

None

Relevant Policies and Strategies:

None directly relevant.

APPENDIX A

Accounting policies used in the preparation of the accounts

1. Accounting policies

The Statement of accounts is a summary of our transactions for the financial year 2022/23 and our position at the year-end, 31 March 2023. 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 2022/23 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 they use to provide their services. There are depreciation charges that cover the estimated loss in value over time of physical assets that each service has used which are spread on a straight-line basis over the asset's life.

Contingent assets

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

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

Contingent liabilities

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

Council Tax and Non-domestic Rates

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

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

Employee benefits

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

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

Exceptional 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. It stipulates that the Council will insure the regimental collections in the same way as it insures its own Chelmsford Museum collections. However, we do not include regimental collections in our Balance sheet valuations.

Heritage Valuers

We have 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

Investment properties

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

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

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

Joint projects

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

income and expenditure statement because it is not our money.

Leases we get from other organisations

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

For finance leases we include the depreciated fair value of the asset in the Balance sheet, which is matched by a liability of the amount we have to pay the lessor (legal owner). We are not allowed to charge the depreciation on the asset to council tax, so we reverse this out of the Comprehensive income and expenditure statement. The Comprehensive income and expenditure account is charged the cost of a finance lease as if it were a loan, that is the cost of interest and a minimum revenue provision (repayment of principal).

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

Leases we give to other organisations

When we give a finance lease to an organisation or individual, we are handing over ownership of that asset, so we remove the asset's value from our Balance sheet. The value of the lease payments 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 as follows:

- Vehicles and equipment such as lorries, computers or lawnmowers are valued at cost of buying them.
- Community assets such as parks are valued at historic cost, unless the external valuers identify a more appropriate value.
- Infrastructure such as bridges are valued at depreciated historical cost
- Other assets such as land and buildings are valued at 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.
- 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.

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

We charge decreases in valuations as follows:

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

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

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

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

following rules:

We reduce the value of most of our assets steadily throughout their useful lives from the time they are ready for use (depreciation). The exceptions to this are community assets, freehold investment properties and other assets held for sale (but only from the date we have decided to sell them). 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 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

During 2022/23 we received several 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 & Risk Committee

15th March 2023

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. Self-assessment and training

- 2.1. CIPFA issued a new position statement on Audit Committees in September 2022. A review of the position statement against our current Committee terms of reference and governance arrangements will be undertaken to ensure that we continue to be aligned to best practice. A new survey of Committee Members will also be undertaken in line with any new recommendations from the guidance.

3. Rolling Programme of Work

- 3.1. Many of the reports submitted to this Committee are presented on a cyclical basis and can be timetabled for particular meetings. However, from time to time additional reports are requested which are presented to future meetings.

The proposed rolling programme of work for this Committee for the next series of meetings is shown below.

14th June 2023

(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	BDO
Revenue (Outturn)	Accountancy Services Manager (S151)
Capital Monitoring (Outturn)	
Internal Audit Annual Report 2022/23	Audit Services Manager
Audit & Risk Committee Annual Report 2022/23	
Review of the Audit & Risk Committee's Terms of Reference	
Risk Management Report	Procurement and Risk Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

20th September 2023

Agenda Item	Report Owner
External Audit Update	BDO
Health and Safety Annual Report	Public Health and Protection Services Manager
Modern Slavery Report	Procurement and Risk Services Manager/ Public Health and Protection Services Manager
Counter Fraud Strategy Action Plan Update	Audit Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

13th December 2023

Agenda Item	Report Owner
External Audit Update	BDO
Internal Audit Interim Report 2023/24	Audit Services Manager
Counter Fraud Annual Report 2023	Audit Services Manager
Risk Management Report	Procurement and Risk Services Manager
Procurement Update	Procurement and Risk Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

March 2024

Agenda Item	Report Owner
External Audit Update	BDO
Internal Audit Plan 2024 + Internal Audit Charter 2024	Audit Services Manager
Counter Fraud Strategy Action Plan Update	Audit Services Manager
Accounting Policies	Accountancy Services Manager (S151)
Audit & Risk Committee Work Programme	Audit Services Manager

List of appendices: None

Background papers: None

Corporate Implications

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

- Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)
- PSIAS

- the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

Financial: None

Potential impact on climate change and the environment: None

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

Personnel: None

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

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: None

Relevant Policies and Strategies: None
