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## **Minutes of the meeting of the Audit, Governance and Standards Committee, that was held remotely on Monday, 28 September 2020**

[A recording of the meeting may be found on the ECC website.](#)

### **Present:**

#### **Members:**

Councillor G Butland  
Councillor P Channer  
Councillor A Davies  
Councillor A Hedley  
Councillor A Jackson  
Councillor R Mitchell  
Councillor Dr R Moore  
Councillor M Platt  
Councillor K Smith  
Councillor A Turrell

#### **Also Present:**

David Eagles	BDO LLP (external auditor)
Barry Pryke	BDO LLP (external auditor)

#### **ECC Officers:**

Paula Clowes	Head of Assurance
Christine Golding	Chief Accountant
Andy Gribben	Senior Democratic Services Officer (clerk to the meeting)
Vicky Hotson	Finance Team Manager
Emma Tombs	Democracy Services Manager
Paul Turner	Director, Legal and Assurance (Monitoring Officer)
Nicole Wood	Executive Director, Finance and Technology (Section 151 Officer)

### **1. Welcome and Introduction**

Councillor Hedley welcomed those attending the meeting of the Audit, Governance and Standards Committee and in particular:

- Members of the committee and any substitutes also attending
- Representatives of the External Auditors BDO and
- Officers.

### **2. Remote working**

Councillor Hedley reminded everyone that although members are attending the meeting remotely, they should remain engaged in the meeting, refrain from responding to emails and texts during the meeting and put all devices on silent mode.

Members were reminded to keep their microphone on mute for the duration of the meeting unless they wished to speak and to address all remarks through the Chairman.

Councillor Hedley also reminded members that the meeting was to be broadcast live over the internet and will then be publicly available on the County Council's website after the meeting. Although ECC was only making an audio recording of this meeting, Members should be aware that anyone attending this meeting, either as a panellist or an attendee, could make a video recording of all or any part of the proceedings. More details were set out in the agenda.

### **3. Membership, Apologies, Substitutions and Declarations of Interest**

The report of Membership, Apologies and Declarations was received, and it was noted that:

1. The membership of the Audit, Governance and Standards Committee was as shown in the report.
2. No apologies had been received.
3. Declarations of Interests:
  - Councillors Davies, Hedley and Platt declared that they were members of the Essex Pensions Board.
  - Councillor Platt also declared that he was a Deputy Cabinet Member.

In response to a question, the Director, Legal and Assurance (Monitoring Officer) advised members that they need not declare interests as members of other councils.

The Chairman, Councillor Hedley reminded members that any interests must be declared during the meeting if the need to do so arose.

### **4. Minutes and Matters Arising**

The minutes of the meeting held on Monday 6 July 2020 were approved as a correct record and signed by the Chairman.

### **5. Variation in the Order of Business**

With the agreement of the members of the committee the Chairman varied the order of business such that the Internal Audit and Counter Fraud Progress report became the next item of business.

## **6. Internal Audit and Counter Fraud Progress report**

The committee received a report (AGS/78/20 and appendices 1,2,3 and 4) from the Head of Assurance.

Members of the committee were advised of Internal Audit and Counter Fraud activity in relation to the 2020/21 Internal Audit Plan (approved by the Audit, Governance and Standards Committee in July 2020). It reflected the situation as at 31 August 2020.

Members noted that:

- No reports with 'no assurance' had been issued during the period.
- One audit had been completed that received limited assurance –Accounts Receivable. This report had been issued to members in full and an officer representing the service would be attending the meeting to provide an explanation and an update.
- As at 8 September 2020 there were four Critical and fifteen Major recommendations open, of which six Major recommendations had moved beyond their latest agreed due date.
- Fraud Referrals were significantly lower than the same period last year, due to the Covid-19 pandemic.
- Using the National Fraud Initiative data hub £185,054.23 had been recovered related to overpayments to Residential Care Homes.

Members also noted the appendices including:

Appendix 1 - Executive Summaries for Limited Assurance Reports;

Appendix 2 - Current assessment rationale for grading the priority of recommendations in Internal Audit reports;

Appendix 3 - Critical and Major Recommendations which are overdue for implementation as at 31 August 2020 and

Appendix 4 - Completed Assessment against the Fighting Fraud and Corruption Locally Checklist.

In response to a question, members were advised that the council's Audit Team had been invited, together with those from other local authorities, to take part in a pilot of a data-matching product that, it was hoped, working with collaboratively with banks and insurance companies, would assist in the detection of fraud. However, having failed to obtain much value from the product it had been decided not to continue with the pilot.

Members were also advised that 85% of council staff had completed their anti-fraud and corruption and anti-bribery and money laundering e-learning modules and that the target was to achieve 100%. New staff complete the e-modules as part of their induction and this progress is regularly monitored.

It was further noted that by using the National Fraud Initiative data-hub it had been identified that a number of payments were still being made by the council to care homes for places of persons who were deceased and thereby £185,054.23 of overpayments had been recovered

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**Resolved**

That the report be noted.

**7. Deferral of completion of the external audit of the Council's 2019/20 Statement of Accounts**

The committee received a report (AGS/76/20 and appendix A) from the Executive Director, Finance and Technology and the Chief Accountant and an explanation from David Eagles, BDO LLP, the council's external auditor.

Members were presented with a report by the Council's External Auditor, BDO LLP, on deferral of completion of the audit of the Council's Statement of Accounts for 2019/20 (comprising the work necessary to provide audit opinions on the financial statements of the Council and Essex Pension Fund and reach a conclusion on the effectiveness of the systems in place to secure value for money in the Council's use of resources).

Members were advised by David Eagles that the delay in completion of the audit was no fault of the council's, as all of the information required from the council had been provided on time and the draft accounts and working papers were of a high standard. The delay had been caused by an erosion of BDO's planned audit resource, exacerbated by the Covid-19 pandemic and delays to previous audits (including those of the NHS), that had a consequent impact on the planned timetable for completion of council's audit.

David Eagles apologised to members but hoped that they appreciated that the delay had been caused by factors beyond his control.

In response to questions, David Eagles reiterated that the delay was not, in any way, the fault of anyone at Essex County Council.

Members were also advised that, although an absolute guarantee could not be given, the external auditors anticipated that, barring any unforeseen issues, the audit work would be completed in November 2020.

It was also explained that the council was not alone in this predicament as many other local authorities throughout the UK were also experiencing similar delays to the completion of their 2019/20 external audits. However, it was noted that the statutory deadline for publication of audited accounts for 2019/20 had been extended by the Government to 30 November, and hence that the delay to this year's audit would not adversely affect the council's reputation.

Members were also advised (there being a suggestion that fees might be reduced) that the Financial Reporting Council, the policy regulator, would not support the external auditor reducing the audit fee.

**Resolved**

That

1. The Committee noted the reasons for deferral of completion of the external audit for 2019/20, as appended to the report.
2. The Committee agreed to move the meeting scheduled for 7 December 2020 to 16 November 2020 in order to meet BDO's revised expectations for completing their audit and for issuing their Audit Completion Reports for the Council and Essex Pension Fund for 2019/20, and to approve the Council's 2019/20 Statement of Accounts for publication.

**8. The Redmond Review**

The committee received a report (AGS/77/20 and appendix A) from the Executive Director, Finance and Technology and the Director, Legal and Assurance and a presentation by the Chief Accountant.

Members noted the conclusions and recommendations arising from the independent review into Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (the 'Redmond Review').

In response to questions it was noted that the remuneration payable to the appointed Independent Person had been agreed by Council and would be restricted to the repayment of expenses only.

**Resolved**

That

1. The report and the three recommendations to local authorities be noted.
2. The Committee should ask the Chairman of the Council to receive a report on the accounts as soon as possible after the Committee has considered the annual accounts.
3. It be noted that the Council was in the process of complying with the recommendation regarding the appointment of at least one independent member, suitably qualified, to the Audit Committee.
4. It be noted that the Chief Executive, the Monitoring Officer and the Chief Financial Officer currently had the facility to meet with the Key Audit Partner at least annually.

## **9. Update on Accounts Receivable Audit Recommendations**

The committee received a verbal update relating to the Limited Assurance Accounts Receivable Internal Audit Review, introduced by The Head of Assurance.

The Service Manager for Income Assessments in the Council's Income Collection Team, was present, she explained:

- the structure of the service,
- the scale of transactions,
- monthly workflow,
- staffing
- quality monitoring and
- the systems employed.

Members expressed the view that there were wide variations in the processes being employed to enable individuals to request services and to pay for them, and some were not sufficiently IT enabled. Digital online forms should interact with the relevant service, such that payment for a service should also trigger provision of the relevant works (e.g. a dropped kerb). The Service Manager responded by advising members that there was a programme underway to find the right digital solution and address this issue in a targeted way.

The Chairman suggested that this might be a topic of interest to a Task and Finish Group.

The Chairman also requested that the presentation be circulated to members of the committee so that they might identify further questions and correspond with her directly.

## **10. Counter Fraud and Corruption Strategy**

The committee received a report (AGS/79/20 and appendix 1) from the Head of Assurance.

Members noted that the report to approve and adopt the new Counter Fraud and Corruption Strategy which had been reviewed following the publication of a new national strategy entitled 'Fighting Fraud and Corruption Locally'.

Members were advised of changes from the previous strategy and that the forward to the report would be added by the Cabinet Member for Finance, prior to publication.

### **Resolved**

That the Counter Fraud and Corruption Strategy be adopted in the form shown at appendix 1 to the report.

## **11. Task and Finish Groups**

The committee received a report (AGS/80/20 and appendix 1) from the Director, Legal and Assurance who asked members to note that Appendix 1 to the report had been erroneously omitted from the original Agenda Document Pack and a revised report including the appendix had been subsequently published and sent to members by email.

Members noted that as part of the effectiveness review undertaken in March 2020, they had agreed to introduce the use of task and finish groups. The report asked members to agree how this may be achieved by the adoption of a protocol as detailed in the appendix to the report.

At the invitation of the Chairman it was suggested that a Task and Finish Group be formed to investigate opportunities to digitalise forms and improve user payments. Councillor Mitchell suggested that work he was currently undertaking with Highways on this same matter could be extended to encompass a wider scope and fall under the remit of such a convened Task and Finish Group to look specifically at the existing manual processes for processing payments and seek a way of digitalising the workflow.

Members of the committee accepted a suggestion by the Executive Director, Finance and Technology that before members convened a Task and Finish Group to look at what might an extensive piece of work there should be an appraisal sent to them of what work was currently being undertaken, what progress was being made, the materiality of some areas and the scale of the systems employed so that there should be an appropriate scoping of the task. It was also agreed that members should adopt a strategic rather than an operational perspective.

### **Resolved**

That

1. Agree the protocol on the use of task and finish groups as at appendix 1 to the report be agreed.
2. To establish a Task and Finish Group to scope and review the council's automated payments programme.
3. That the Chairman should seek volunteers to sit on the group in addition to the Vice Chairman

## **12. Work Programme**

The report (AGS/81/20) was presented by the Director, Legal and Assurance. Members were reminded that the work programme was subject to regular revisions and change.

**Resolved**

The Work Programme was noted.

**13. Date of the Next Meeting**

Members noted that the next meeting of the committee would be held on Monday 16 November at 10.30am (virtually) and would be preceded by a private meeting for members of the committee only.

**Chairman.....**

**Date.....**