
The Minutes of the meeting of the Audit, Governance and Standards Committee, held in Committee Room 1, County Hall, Chelmsford on Monday 31 October 2022

[A YouTube recording of the meeting is to be found online.](#)

Present:

Members of the Committee:

Cllr Tony Hedley	Chairman
Cllr Susan Barker	
Cllr David King	
Cllr Aidan McGurran	
Cllr Luke McKenzie	
Cllr Anthony McQuiggan	
Cllr Mark Platt	
Cllr Laureen Shaw	
Cllr Chris Siddall	
Mr Atta Ul-Haque	Independent Member appointed to the Committee

ECC Officers:

Christine Golding	Chief Accountant joined the meeting online via Zoom
Stephanie Mitchener	Director, Finance
Paula Clowes	Head of Assurance
Sophie Crane	Senior Democratic Services Officer
Judith Dignum	Democratic Services Officer

Also present:

External Auditors:
Mr David Eagles BDO LLP
Mr Barry Pryke BDO LLP

Welcome and Introduction

Cllr Tony Hedley, the Chairman of the Audit, Governance and Standards Committee, welcomed those in attendance.

1. Membership, Apologies, Substitutions and Declarations of Interest

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

- The membership of the Audit, Governance and Standards Committee was as shown in the report.
- Apologies had been received from Cllr Laureen Shaw for lateness. Cllr Laureen Shaw joined the meeting during agenda item 4.

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- No declarations of interests were made however Cllr Tony Hedley advised that he and Cllrs Susan Barker, Mark Platt and David King were also members of the Pensions Board.

Cllr Tony Hedley reminded members that any interests must be declared during the meeting if the need to do so arose.

2. Minutes and Matters Arising

The minutes of the meeting held on Monday 25 July were approved as a correct record and there were no matters arising.

3. Appointment of Vice-Chairman

It having been moved by Cllr Mark Platt and seconded by Cllr Susan Barker, and there being no other nominations, it was

Resolved:

That Cllrs Chris Siddall and Anthony McQuiggan be appointed as Vice-Chairmen of the Committee for the 2022/23 municipal year.

4. 2021/22 Audit Planning report for Essex Pension Fund

Christine Golding, Chief Accountant introduced the report and noted that there was no equivalent report for the Council at that stage.

Mr Barry Pryke of BDO confirmed that the two Materiality thresholds had been set at £96 million for the Net Assets Statement and £27.3 million for the Fund Account.

Mr Pryke confirmed that BDO remained independent of the Pension Fund and had not identified any issues in relation to independence.

The risks that had been identified as part of planning process were largely consistent with prior years, there was one new risk in relation to an increase in management expenses. Mr Pryke confirmed that BDO's work was reasonably well progressed and had not thus far identified any concerns relating to that risk. BDO's full findings would be included in a completion report to the Committee at later date.

It was clarified that the original figure given for audit fees had been an estimate which could change as the audit progressed.

Mr Pryke advised that members of the committee should contact the external auditors outside of the meeting if they became aware of suspected, alleged or actual fraud.

It was confirmed that the International Standard on Auditing (ISA315) had been significantly revised. This was a global change to the auditing standard that drives the audit planning process and was not specific to Essex. From 2022/23

more granular auditing work would be required and the increased quality expectations placed significant pressure on the external audit market overall.

Resolved

That the Committee noted the content of BDO's report.

5. Update on the 2020/21 and 2021/22 external audits of the Council and Essex Pension Fund

Christine Golding, Chief Accountant introduced the report and indicated that:

- The Department for Levelling Up, Housing and Communities had issued a consultation paper on 27 October 2022 regarding a national solution to the accounting for infrastructure assets issue.
- The Council was given one week to respond to the consultation and it appeared that the proposal did enable a resolution.
- Should the solution be agreed in December 2022 BDO would hope to conclude the Council's 2020/21 audit in January 2023.
- The Council had continued to keep a legacy finance system online to enable the conclusion of the 2020/21 audit. That system had been moved to a cloud environment which enabled access on month-by-month basis at a reduced cost of £4,000 per month.
- Work had started on Council's audit 2021/22 with the aim of concluding it in March 2023.

Mr David Eagles of BDO confirmed that the updated national position should enable BDO to issue the 2020/21 opinion on the financial statements and the more detailed report on value for money at same time. Essex County Council was the only 2021/22 audit that BDO had commenced, Mr Eagles noted that BDO could rely on the Chief Accountant to provide good quality accounts and supporting information.

Resolved

That the Committee noted:

- The reasons for the further delay to completion of the audit for 2020/21.
- The external auditor's current plans for undertaking the audits of the Council and Essex Pension Fund for 2021/22.
- The external auditor's indicative timelines for reporting to the Committee on completion of the 2020/21 and 2021/22 audits.

6. Update on the national scheme for local auditor appointments

Christine Golding, Chief Accountant introduced the report (AGS/25/22) and highlighted the following points:

- The Council had opted into the Public Sector Auditor Appointments Ltd (PSAA) national scheme for auditor appointments for external audit contracts

commencing on 1 April 2023 (and covering the audit of accounts for the financial years 2023/24 to 2027/28).

- 99% of eligible bodies opted into the scheme.
- BDO did not bid in this procurement exercise.
- On 3 October 2023 PSAA had been successful in securing auditors and 6 audit firms were awarded contracts. Ernst and Young would be the Council's 2023/34 auditors.
- A significant fee increase of around 150% was anticipated.

It was clarified the scheme was intended to generate a competitive deal for eligible bodies, the fees for those that did not opt in were not known, however those bodies may have struggled to appoint an external auditor at all due to challenges in the market.

The anticipated fee increase reflected the wider scope of the audit work required under ISA 315 and the increased need for experts. The scheme did not provide 100% assurance that future audit timetables would be met however there had been significant pressure and activity to get Local Authority audits back on track.

Resolved

That the Committee noted the report.

7. Internal Audit and Counter Fraud progress report

Paula Clowes, Head of Assurance introduced the report (AGS/26/22) and highlighted the following points:

- The report had been prepared for the rescheduled September 2022 meeting and therefore only covered the period up to August 2022.
- No 'no assurance' or 'limited assurance' audits has been issued in the period, 3 'good' and 17 'satisfactory' assurance had been issued. Two follow up audits had identified reasonable progress.
- As at 31 August 2022 there were no Critical, 17 Major and 94 Moderate recommendations open. 65 recommendations had been reported as having been implemented during 2022/23.
- The total number of fraud referrals which had been received to date for the 2022/23 year was 105. During that period the work of the Counter Fraud team had resulted in the recovery of £180,979.87, with a further £135,291.23 in recovery.

It was confirmed that the Internal Audit team had the support of senior managers and had received positive engagement with services.

Resolved

That the Committee noted the progress in audit and counter fraud activity.

8. Updated Counter Fraud and Corruption Strategy 2022

The committee received the report (AGS/27/22) and appendix from Paula Clowes, Head of Assurance.

It was confirmed that the strategy is scheduled for review every 2 years and that the report detailed changes from the previous strategy, which were very minimal.

Resolved

That the Counter Fraud and Corruption Strategy 2022 be adopted in the form shown at appendix A to the report.

9. Updated Anti Bribery and Corruption Policy 2022

The committee received the report (AGS/28/22) and appendix from Paula Clowes, Head of Assurance. The report detailed changes from the previous strategy.

It was clarified that there was an expectation that the employee uptake of the relevant e learning would continue to increase following the 2021 refresh and that this data would be included in the next Internal Audit and Counter Fraud progress report.

It was agreed that wording should be added to the 'penalties' section regarding member disqualification in the event of a bribery conviction.

Resolved

That, including the agreed wording regarding member penalties, the Anti Bribery and Corruption Policy 2022 be adopted in the form shown at appendix A to the report.

10. Updated Anti-Money Laundering Policy 2022

The committee received the report (AGS/29/22) and appendix from Paula Clowes, Head of Assurance. The report detailed changes from the previous strategy.

It was agreed that Paula Clowes would report back to the Committee to clarify the process for identifying and risk assessing Politically Exposed Persons or 'PEPs'.

Resolved

That the Anti-Money Laundering Policy 2022 be adopted in the form shown at appendix A to the report.

11. Work Programme (AGS/30/22)

The Work Programme was noted.

12. Date of next Meeting

The date was noted.

Chairman